



Office of the City Auditor American Recovery and Reinvestment Act Expenditure Audit

Report Date: February 2, 2011

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

"Promoting Accountability and Integrity in City Operations"

www.vbgov.com/cityauditor

Lyndon Remias, CPA, CIA

City Auditor

Timothy Bell, CICA

Senior Auditor

Office of the City Auditor

2401 Courthouse Drive, Room 344

Virginia Beach, VA 23456

Telephone: 757.385.5870

Fax: 757.385.5875

Fraud, Waste, and Abuse Hotline 757.468.3330



Office of the City Auditor
Transmittal Letter



Date: February 2, 2011
To: James K. Spore, City Manager
Subject: Review of American Recovery and Reinvestment Act Expenditures

I am pleased to present the report of our review of the City's American Recovery and Reinvestment Act (ARRA) expenditures. The results of this review will be provided to City Council through the City's Audit Committee.

We have performed the procedures agreed to by Finance to review ARRA expenditures reported in the City's InSITE system. This agreed-upon procedures engagement was conducted in accordance with Government Auditing Standards. Government Auditing Standards incorporate 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 Office of the City Auditor reports to City Council through the City's Audit Committee and is organizationally independent of all other City Departments. The procedures we agreed to perform and the associated results are enclosed. Findings to be of insignificant risk were discussed with management. We completed the agreed-upon procedures on January 12, 2011.

This report is intended solely for the information and use of the Audit Committee, City Council, City Manager, and appropriate management including the Department of Finance and other departments utilizing ARRA funds. 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 commend the Department of Finance and other departments for the courtesy and cooperation extended to us during the review. 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.

Respectfully submitted,

Lyndon S. Remias, CPA, CIA
City Auditor

c: City Council Members
Audit Committee Members
Patricia Philips, Director, Department of Finance
Don Barnett, Comptroller, Department of Finance
Trish Donahue, Financial Analyst, Department of Finance



Transmittal Letter	i
Purpose	1
Scope and Objectives.....	1
Methodology	1
Standards.....	1
Background	2
Results	5
Conclusion	5
Acknowledgements	6



Purpose

To conduct an examination of the City's American Recovery and Reinvestment Act (ARRA) expenditures for supporting documentation, applicability of the expenditure to the purposes of the ARRA grant and agreement of expenditure amounts of the supporting documentation with the City's InSITE financial system.

Scope and Objectives

The objectives of our review were:

1. To determine if ARRA expenditures and amounts are supported by documentation.
2. To determine if expenditures are applicable to the purpose of the Grant.
3. To determine whether such expenditures are reasonable in amount.

Our review covered ARRA expenditures made during the period of January 2009 through October 2010. Our review concluded on January 12, 2011.

Methodology

To accomplish our objectives, we performed the following procedures:

- Obtained the sample universe from the Department of Finance of all ARRA expenditures for the period from January 2009 through October 2010 that are in the City's InSITE financial system.
- Verified all sampled expenditures charged to the various ARRA grants and the supporting documentation.
- Verified that all sampled ARRA expenditures agreed with the purposes of the ARRA grant(s).
- Verified all sampled ARRA expenditure amounts with support documentation to that in the City's InSITE financial system.

Standards

Our audit was conducted in accordance with generally accepted government auditing standards. 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 Department of Finance. This report will also be made available to the public.



Background

On February 17, 2009 President Obama signed into law the American Recovery and Reinvestment Act (ARRA) —the largest one-time domestic spending program in United States history. This economic stimulus legislation is a supplemental appropriation(s) bill with certain tax provisions, providing \$575 billion in new federal spending and \$212 billion in tax relief.

ARRA is designed to:

- Preserve and create jobs and promote economic recovery.
- Revive the renewable energy industry and enhance America's energy independence.
- Assist those impacted by the recession
- Provide investments needed to increase economic efficiency by spurring technologic advances.
- Invest in transportation, environmental protection, and other infrastructure.
- Stabilize state and local government budgets.
- Require unprecedented levels of accountability and transparency.

Key Accountability and Transparency Objectives include:

- Recovery funds are awarded and distributed in a prompt, fair, and reasonable manner;
- The recipients and uses of all recovery funds are transparent to the public, and that the public benefits of these funds are reported clearly, accurately, and in a timely manner;
- Recovery funds are used for authorized purposes and every step is taken to prevent instances of fraud, waste, error, and abuse;
- Projects funded under the recovery legislation avoid unnecessary delays and cost overruns;
- Programs meet specific goals and targets, and contribute to improved performance on broad economic indicators.

ARRA contains provisions that require disclosure and certification by certain parties for projects funded by the bill and all expenditures to be posted on the Internet. All announcements of contract and grant competitions and awards, as well as formula grant allocations must be posted on Recovery.gov, a special website created by the President.

The Department of Finance provides guidance on the federal recovery financial reporting requirements so that the City's grantees can generate reports and gather financial information from InSITE required for reporting compliance. InSITE is the basis for reporting all ARRA financial activities, including expenditures. Financial estimates or financial information external to InSITE is not used in reporting for recovery funds.

As part of the City's intent to meet the federal ARRA requirement not to co-mingle funds, each department receiving recovery funds is required to ensure that all budgets, revenues, transfers and expenditures are coded using the account sub program code of "1000".



Office of the City Auditor American Recovery and Reinvestment Act Expenditure Audit

The City's Beachnet/Finance/ARRA Stimulus Funding webpage is continually updated with information specific for departments.

Currently, the City (excluding Schools) has been awarded a total of \$54,259,813 for FY 10 and FY 11 in 18 different ARRA grants either as the prime recipient or sub-recipient:

Receiving Department	ARRA Grant Title	Total Approved Funding	ARRA Grant Description
Human Resources	Summer Youth Employment Program	\$75,874	Provides young adults age 14 to 24 with valuable summer employment and learning opportunities with the City.
Housing and Neighborhood Preservation	Community Development Grant	\$660,901	Provides City with resources to address a wide range of community development needs.
Housing and Neighborhood Preservation	Emergency Shelter Grant	\$1,010,599	Provides homeless persons with basic shelter and essential supportive services.
Planning	Local Energy Assurance Plan	\$200,000	Strengthen and expand the City's energy assurance planning and resiliency and reduce the impacts from energy supply disruptions.
Police	Bryne JAG Grant	\$881,256	Supports a broad range of activities to prevent and control crime based on the City's needs and conditions.
Police	ARRA Port Security Grant	\$64,600	To protect critical port infrastructure from terrorism.
Police	Internet Crimes Against Children Task Force Program Grant	\$80,000	To help the City's law enforcement enhance their investigative response to offenders who use the Internet and other online communication systems to sexually exploit children.
Public Works	Witchduck I Road Project	\$9,640,484	Construct a six-lane divided roadway on a 170 foot right-of-way from Princess Anne Road to I-264.



Office of the City Auditor
American Recovery and Reinvestment Act Expenditure Audit

Receiving Department	ARRA Grant Title	Total Approved Funding	ARRA Grant Description
Public Works	Virginia Association of Disability Services	\$8,200	Training and subsidizing job accommodations and technologies for hiring individuals with disabilities.
Human Services	IV-E Foster Care	\$171,625	To support adoption assistance and foster care programs. These funds replace lost State funds.
Human Services	Subsidized Adoptions	\$72,947	To replace lost State funds.
Human Services	Part C (Early Intervention)	\$205,000	Provides services for infants and toddlers with disabilities or developmental delays. These funds replace lost State funds.
Human Services	Supplemental Nutrition Assistance Program	\$84,794	Formerly known as Food Stamps program. These funds replace lost State funds.
Human Services	Child Care	\$1,320,790	To assist those most impacted by the recession through the provision of funds to expand services to additional children and families facing difficult economic circumstances.
Sheriff's Office	Federal Recovery JAG	\$900,743	To restore reduced general fund dollars that support the operating budgets of the Sheriff's Office.
Citywide (Planning)	Energy Efficiency and Conservation Block Grant	\$4,042,000	To improve energy efficiencies throughout the City to reduce costs in the long term.
Public Works	Great Neck Ramps/ I-264	\$10,640,000	Create a new interchange at I-264 and Great Neck Road.
Public Works	Princess Anne Road Phase IV	\$24,200,000	Construction of a four-lane parkway from Dam Neck Road to Nimmo Parkway.
TOTAL		\$54,259,813	

The Public Works CIP Projects account for \$44,480,484 (82%) of the ARRA funds.



Office of the City Auditor
American Recovery and Reinvestment Act Expenditure Audit

Results

We systemically selected 55 ARRA expenditures for testing representing \$1,393,820.12 or 20.4% of all purchase invoice ARRA expenditures. The expenditures came from the following grants:

Department	Name of Grant	# of Samples	\$ Amount
Public Works (CIP Project)	Witchduck Road Project Grant	3	\$1,092,932.72
Planning	Local Energy Assurance Plan (LEAP) and Energy Efficiency & Conservation Block Grant (EECBG)	6	\$120,318.96
Police	Byrne Justice Assistance Grant (JAG)	3	\$90,771.20
Housing and Neigh. Preservation	Community Development Grant	8	\$42,061.25
Housing and Neigh. Preservation	Emergency Shelter Grant	23	\$26,408.18
Human Services	Mental Retardation (MR) Early Intervention Grant	2	\$11,640.30
Human Resources	Summer Youth Employment Program Grant	3	\$3,727.56
Police	Internet Crimes Against Children Grant	4	\$2,980.09
Public Works	Virginia Disability Services Board (VADSB) Local Government Employment Awareness	2	\$1,500.00
Parks and Recreation	Byrne JAG Grant (Youth Opportunities Office)	1	\$1,479.86
Totals		55	\$1,393,820.12

We verified all of the above sampled expenditures and their amounts charged to the various ARRA grants to the supporting documentation. We determined that each sampled expenditure was made for the stated purposes and the amounts were reasonable.

Conclusion

Based upon test work performed we found that sampled ARRA expenditures were properly supported, reasonable and applicable to the purpose of the grant.

Grant funds from state, federal, or other agencies and organizations can be an important revenue source that can aid the City in providing quality services to citizens and customers while keeping taxes as low as possible. Though not the focus of our audit, it does appear that the City has an opportunity to strengthen grant management, oversight and financial compliance with dedicated grant position(s) to identify new grant opportunities, increase grant returns, strengthen controls, and improve city-wide grant compliance processes. Dedicated grant operations may yield a positive return on investment for the city and should be considered when balancing resources.



Acknowledgements

We would like to thank the Department of Finance and the various departments and offices we visited for their responsiveness to our requests during the review and their receptiveness to questions and comments. We thank all involved in the process for their help and offer our assistance should future concerns regarding this or other audit issues arise.