



Office of the City Auditor

Audit of Contracts Promoting Cleaner Watersheds

Report Date: November 29, 2017

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"

Lyndon Remias, CPA, CIA, CRMA, CGAP

Tony Gonzalez, CPA, MBA

City Auditor

Senior Auditor

www.vbgov.com/cityauditor

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: November 29, 2017
To: David L. Hansen, City Manager
Subject: Audit of Contracts Promoting Cleaner Watersheds



I am pleased to present the report of our Audit of Contracts Promoting Cleaner Watersheds. This audit addresses the effectiveness of management's internal controls over administration of such contracts.

Findings considered to be of insignificant risk have been discussed with management. We completed fieldwork on November 8, 2017.

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, Department of Public Works, Department of Planning and Community Development, and appropriate 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 Department of Public Works, Surface Water Regulatory Compliance and Engineering/Water Resources Divisions and the Department of Planning and Community Development for their cooperation and responsiveness to our requests during our audit and their receptiveness to questions, recommendations, and suggestions.

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: Audit Committee Members
Tom Leahy, Deputy City Manager
Phil Davenport, Director, Public Works
Barry Frankenfield, Director, Planning and Community Development



Office of the City Auditor Table of Contents

Transmittal Letter	i
Purpose	1
Scope	1
Methodology.....	1
Standards	1
Background	2
Results	4
Conclusion.....	5
Acknowledgements.....	5
Management’s Response.....	Attachment A



Office of the City Auditor Audit of Contracts Promoting Cleaner Watersheds

Purpose

The purpose of the audit was to determine the effectiveness of management's internal controls over the administration of contracts promoting cleaner watersheds.

Scope and Objectives

The scope of the audit covered expense transactions from July 1, 2016 through June 30, 2017. The objectives of the audit were to determine if:

- Contracts were properly administered;
- There were no overlap of services among the contracts; and
- Expenditures were accurate, reviewed by management, and recorded to the appropriate contract.

Methodology

To accomplish our objectives, we performed the following:

- Obtained and reviewed active contracts;
- Met with appropriate staff to discuss the process for administering their respective contract;
- Extracted expenditure data transactions from InSITE for analysis and testing;
- Selected a sample of expenditure transactions for testing and obtained supporting documentation; and
- Made recommendations, as appropriate, to ensure compliance and improve processes.

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.



Office of the City Auditor Audit of Contracts Promoting Cleaner Watersheds

Background



Protecting the numerous bodies of water in and around the City of Virginia Beach is vital to maintaining a healthy environment. The City works with other government entities and various organizations to educate and involve citizens to maximize efforts in achieving this pursuit.

One of the organizations that actively works with the City is Lynnhaven River NOW (LRN), a 501(c)(3) organization with a mission to increase education and awareness of the benefits of a healthy Lynnhaven River

Watershed. The City has a longstanding working relationship with LRN in various projects that provide education and outreach to the public, protect and preserve waterways, and restore oyster habitats.

The City currently engages LRN to provide services in three contracts for promoting cleaner watersheds:

- *Water Quality Education and Outreach for Residential Homeowners in the Lynnhaven Watershed Area* – Education and outreach activities conducted by LRN are used to fulfill related requirements of the Municipal Separate Storm Sewer System (MS4) Permit. MS4 Permit requires the local government to implement a collective series of programs to reduce the discharge of pollutants from the stormwater system to the maximum extent practicable. This contract is funded through Public Works department budget for Surface Water Regulatory Compliance.
- *Oyster Shell Recycling* – Supports the restoration or enhancement of oyster habitats in the City's watersheds, including oyster reefs, oyster beds, or similar activities. This contract is funded via the Oyster Heritage Program Fund, the source of which comes primarily from voluntary donations derived from Chesapeake Bay Preservation Area Board variance decisions to mitigate environmental impact of approved building/construction plans.
- *Grant to Support Pearl Communities, Advocacy, and Restoration in the Lynnhaven River, Little Creek, and Elizabeth River Watersheds* – City Council approved funding for this on November 15, 2016, from General Fund reserves, specifically the Reserve for Neighborhood Dredging, in the FY 2016-2017 Operating Budget. The contracted services are as follows:



Office of the City Auditor

Audit of Contracts Promoting Cleaner Watersheds

- Pearl Communities: Outreach to various public organizations in the city by expanding the Pearl designation program for faith groups, schools (public and private), and businesses. The “Pearl” designation is granted to homeowners (Pearl Homes), faith groups (Pearl Faith), schools (Pearl Schools), and businesses (Pearl Businesses) for pledging to adopt responsible practices that protect the health of waters in the City. In turn, LRN provides advice and assistance; help with community resources; and a banner/flag to show participation. Outreach efforts for Pearl Homes is covered under the *Water Quality Education and Outreach for Residential Homeowners in the Lynnhaven Watershed Area* contract (above).
- Advocacy: The goal of the advocacy efforts is to support good environmental policy at the local and state levels, and to facilitate the conversation between the citizens and elected officials.
- Restoration: Coordinate with partner organizations including the City and community volunteers to design, fund, and coordinate implementation of restoration projects in Virginia Beach to include oyster restoration, wetlands restoration, living shorelines, and riparian buffers.

Table 1 Contract Information

Service Type	Term	Value	Responsible Department/Division	Summary of Activities
<i>Water Quality Education and Outreach for Residential Homeowners in the Lynnhaven Watershed Area</i>	7/1/2016 – 6/30/2017 Subsequent contract not finalized at the completion of this audit.	Not to exceed \$87,298	Public Works/ Surface Water Regulatory Compliance Division	<ul style="list-style-type: none"> • Agreed-upon number of presentations in events via booths/tables, workshops, river cleanups, and newsletters to the <i>public, homeowners, and homeowner groups</i>. • Enrollment of 600 property owners to the Pearl Home program.
<i>Oyster Shell Recycling</i>	7/1/2016 – 6/30/2017 7/1/2017 – 6/30/2018 (extension)	Not to exceed \$40,000 per year	Public Works/Engineering/Water Resources Division	<ul style="list-style-type: none"> • Collection of oyster shells from participating restaurants and public drop-off locations for delivery to the City Landfill. City agreed to pay LRN \$9.50 per bushel of oyster shells.
<i>Grant to Support Pearl Communities, Advocacy, and Restoration in the Lynnhaven River,</i>	12/20/2016 – earlier of completion of all activities or when terminated by	Not to exceed \$282,000	Planning and Community Development/Director’s Office	<ul style="list-style-type: none"> • Education and Outreach: Agreed-upon number of presentations in events via booths/tables, workshops, and newsletters to <i>faith groups, schools, and businesses</i>.



Office of the City Auditor

Audit of Contracts Promoting Cleaner Watersheds

Little Creek, and Elizabeth River Watersheds	one of the parties		<ul style="list-style-type: none"> • Advocacy: Participation in various local, regional, and state boards; partnerships with community groups; and other similar activities. • Restoration: Consultation visits to private properties to assess and advise on best management practices related to shoreline and stormwater management; facilitation of annual oyster survey to collect data on all sanctuary reefs; and other similar activities.
Total value of the three contracts, if or when all services are performed		\$409,298	

Results

We performed the following procedures to achieve the objectives stated above:

- Identified and reviewed all active contracts. Performed process walkthroughs, inquired, and reviewed management’s internal controls over monitoring of deliverables and review of invoices.
- Verified if there were overlapping services between the contracts by comparing planned and performed activities to ensure that the City was not paying for the same services in more than one contract.
- Selected a sample of twelve (12) from a population of 30 expenditures for the contract periods in scope and obtained supporting documents to verify that amounts and quantities were accurate and complete, the expenditures were reasonable, and the expenditures were correctly recorded to the appropriate contracts. The twelve samples reviewed comprised 40% of the population and amounted to 90% of total expenditures.



We also examined two (2) more expenditure samples from previous contract periods to validate that they were indeed for the prior contract period.

- Totaled all contract expenditures to verify that they did not exceed respective contract values.

Based upon test work performed, we did not identify any significant exceptions.



Office of the City Auditor Audit of Contracts Promoting Cleaner Watersheds

Conclusion

We determined that management's internal controls over the administration of the contracts promoting cleaner watersheds are effective.

Acknowledgements

We would like to thank the management and staff for their cooperation and responsiveness to our requests during our audit and their receptiveness to questions, recommendations, and suggestions.



City of Virginia Beach

PLANNING & COMMUNITY DEVELOPMENT
DIRECTOR'S OFFICE
PHONE: (757)-385-4621
FAX (757) 385-5789

VBgov.com

MUNICIPAL CENTER BUILDING
NUMBER 2
2405 COURTHOUSE DRIVE VIRGINIA
BEACH, VA 23456-9001

INTER-OFFICE MEMORANDUM

DATE: November 20, 2017

TO: Lyndon S. Remias, City Auditor

FROM: Barry Frankenfield, Director, Planning & Community Development 

SUBJECT: Audit of Contracts Promoting Cleaner Watersheds

Thank you for your detailed work on this audit. I have carefully reviewed the Audit of Contracts Promoting Cleaner Watersheds, dated November 15, 2017. The report is very comprehensive and well written. I agree with the results.

Once again, thank you for all the time and hard work you and your staff have spent on this Audit effort.

C: David L. Hansen, City Manager
Ronald H. Williams, Jr., Deputy City Manager



City of Virginia Beach

DEPARTMENT OF PUBLIC WORKS
DIRECTORS OFFICE
(757)-385-4167
FAX (757) 385-5783
TTY: 711

VBgov.com
MUNICIPAL CENTER
BUILDING NUMBER 2
2405 COURTHOUSE DRIVE
VIRGINIA BEACH, VIRGINIA 23456

INTER-OFFICE MEMORANDUM

DATE: November 21, 2017
TO: Lyndon S. Remias, City Auditor
FROM: Phillip A. Davenport, Public Works Director **PAD**
SUBJECT: **Audit of Contracts Promoting Cleaner Watershed**

I agree with the audit report and its conclusions.

Please contact me if you have any additional questions or concerns.

cc: Thomas M. Leahy, Deputy City Manager
Barry Frankenfield, Director of Planning