



Office of the City Auditor

Audit of the Joint Use Library Contract

Report Date: January 19, 2018

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

Tim Bell, CICA

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: January 19, 2018
To: David L. Hansen, City Manager
Subject: **Audit of the Joint Use Library Contract**



I am pleased to present the report of our audit of the Joint Use Library Contract. This audit addressed the accounting of the City's share of expenditures for operating the Joint Use Library.

Findings considered to be of insignificant risk have been discussed with management. We completed our fieldwork on November 30, 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 Libraries 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 Libraries and Tidewater Community College for their cooperation and responsiveness to our requests during our audit and their responsiveness 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

lsr/jd

c: Audit Committee Members
Kenneth L. Chandler, Deputy City Manager
Eva Poole, Director, Department of Public Libraries



Office of the City Auditor Table of Contents

Transmittal Letter	i
Purpose	1
Scope	1
Methodology.....	1
Standards	1
Background	3
Results	5
Conclusion.....	7
Acknowledgements.....	7
Management’s Response.....	Appendix A



Office of the City Auditor Audit of the Joint Use Library Contract

Purpose

This audit addresses the accounting and sharing of expenditures of the Joint Use Library (JUL) between Tidewater Community College (TCC) and the City in accordance with the executed Memorandum of Agreement (MOA).

Scope and Objectives

The scope of the audit covered shared expenditures of the JUL for the period of July 1, 2014 through June 30, 2017. Specific audit objectives are:

- To ensure the City's share of JUL expenditures are properly supported by documentation and basis is reasonable.
- To determine if fiscal year-end true-up is supported and conducted in accordance with the MOA.

Methodology

To accomplish our objectives, we performed the following:

- Reviewed the MOA between TCC and the City on operation of the JUL.
- Met with appropriate staff from the City and TCC to discuss the MOA and the shared expenditure processes of accounting and payment.
- Obtained listing of the shared TCC/City expenditures for FYs 15-17.
- Match supporting documentation with each expenditure to determine receipt of documentation.
- Determined reasonableness of underlying expenditure upon which the City pays their share.
- Determined the variance between actual expenditures and the beginning budgeted amount to determine accuracy of estimated expenditures.
- Made recommendation to ensure compliance with the MOA and improve the shared JUL expenditure process between TCC and 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.



Office of the City Auditor Audit of the Joint Use Library Contract

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 is also available to the public.



Office of the City Auditor Audit of the Joint Use Library Contract

Background

Joint Use Library

The JUL is a unique collaboration between TCC and the City of Virginia Beach to combine in a single, dynamic destination the collections, services, programs, and resources of an academic library and a public library. The JUL creates a new model for lifelong learning and provide synergistic opportunities to enhance personal growth, academic achievement, and quality of life for the College community and for the residents of the City of Virginia Beach. Located on TCC's Virginia Beach campus, on the corner of Rosemont Road and Faculty Blvd., the library is 125,000 square feet - more than two football fields.



TCC students enjoy an expanded collection of popular materials, while residents have increased access to academic materials. The library features thousands of books, periodicals, CDs, and DVDs. There are about 360 computers, including 200 available for drop in use, free Wi-Fi access, numerous computer labs and private study rooms. There is also a dynamic children's room, a public meeting room, collaborative workspaces, café, and plenty of on-site parking.

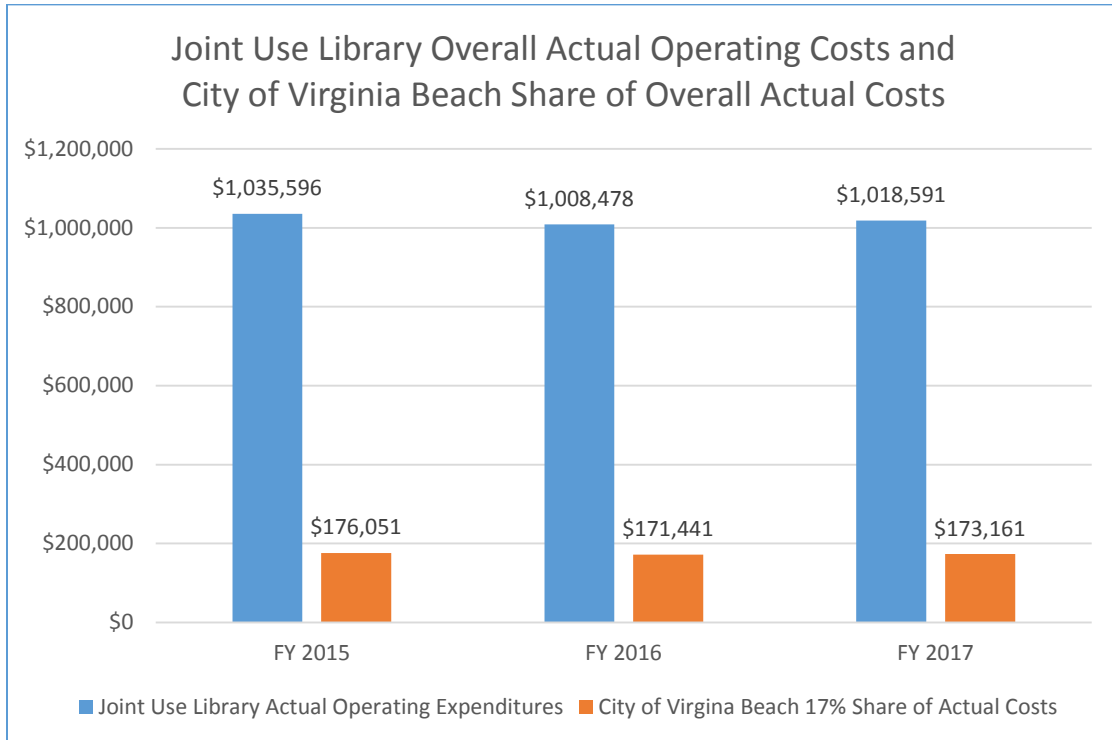
Memorandum of Agreement

The MOA was executed on August 16, 2013 between TCC and the City of Virginia Beach to jointly construct and operate a Joint Use Library to serve the academic needs of TCC's students and faculty and to provide public library services to the residents of Virginia Beach. The MOA is intended to outline the terms and conditions to achieve such operations. Annually, TCC and the City meet to review the terms of the agreement, including the funding model, the proposed operating budget, and the proposed payment schedule for the ensuing year. In Year 5 (Fiscal Year (FY) 19) of the MOA, TCC and the City shall meet to review and potentially amend this agreement.



Office of the City Auditor Audit of the Joint Use Library Contract

One of the terms of the MOA is the Cost Sharing Percentage that is based upon the gross square footage that TCC and the City occupy in the JUL. Currently, TCC occupies 83% while the City occupies 17%. Hence, the funding model calls for the City to share in 17% of the Annual Operating Budget expenditures of the JUL. Actual operating costs of the JUL are shown below:



This audit focused on the City's share of JUL expenditures, the reasonableness thereof in accordance with the MOA.



Office of the City Auditor Audit of the Joint Use Library Contract

Results

Finding 1: Missing Support Documentation

Each month, TCC invoices the City for its share of estimated annual total expenditures. Each quarter, TCC provides to the City a spreadsheet listing the quarter's expenditures paid by TCC and copies of the support documentation (invoices, statements, etc.). However, as noted below in Table 1, the City does not get all support documentation.

Table 1. JUL Expenditure Support Documentation Provided to the City

	FY 2015	FY 2016	FY 2017
Number of Invoiced Charges	189	237	261
Number of Support Documentation Missing	21	57	22
% of Missing Documentation	11.1%	24.1%	8.4%

NOTE: Invoiced charges does not include salaries/wages and General Ledger monthly charges.

Lack of support documentation hinders the City's ability to verify JUL expenditures and the reasonableness of the charges. TCC acknowledged that some support documentation has not been provided but it depended upon whether the invoice was paid through their Accounts Payable department which documentation can be easily provided or paid by credit card that is harder to obtain original copies.

Our review also noted other discrepancies with JUL expenditures as listed in Table 2 below.

Table 2. Other Noted Discrepancies with JUL Expenditures

Grounds Maintenance charges for April, May, and June 2016 delayed into FY 17. There are also other FY 16 charges accounted for in FY 17. It was noted such overlap occurred also in FY 15.
Support documentation for salaries and wages of Custodial and Maintenance staff provided no names for FY 17 making it difficult to verify this expense.
Custodial and Maintenance staff switched between JUL and TCC buildings without notifying the City making it difficult to verify salary and wage expenditures.
Invoice for 25 floor sweepers was marked for JUL but none of the sweepers was received at JUL (confirmed by custodial staff at JUL).
No breakdown provided for set monthly charges for Telecom Services, Equipment/Software Maintenance, and IP Tele/Software Maintenance.
Some support documentation received by the City was not traceable to expenditures listed in the quarterly spreadsheets.

Recommendation

- 1.1 Considering the steadiness of the actual JUL expenditures, we suggest a fixed flat monthly fee that is negotiated every year based on actual costs of the previous year. Any one-



Office of the City Auditor Audit of the Joint Use Library Contract

time variable costs would be added to the monthly fee. Any under or over at the fiscal year-end can be adjusted into the next year's negotiated amount and hopefully get closer to the actual costs.

Finding 2: JUL Operating Budget and Actual Expenditures Reconciliation

In accordance with the MOA, by August 15 of each year, TCC and the City shall agree to a reconciliation of the previous fiscal year's annual operating budget and the actual costs incurred. Any underpayment or overpayment by the City will be reflected (as a "true-up") in the next monthly invoice as a debit or credit, respectively. Table 3, located below, shows the budgeted and actual total expenditures as well as the true-up amounts for the past three fiscal years.

Table 3. Expenditure & True-Up Results of FYs 15-17

	JUL Budget	JUL Actual	City Share Budget	%	City Share Actual	%	City Payments	True-Up Amount	True-Up %
FY 15	\$1,272,290	\$1,035,596	\$218,307	17.2%	\$176,051	17.0%	\$171,430	\$4,622	2.63%
FY 16	\$1,252,688	\$1,008,478	\$218,307	17.4%	\$171,441	17.0%	\$163,058	\$8,383	4.89%
FY 17	\$1,252,688	\$1,018,591	\$215,219	17.2%	\$173,161	17.0%	\$173,161	\$0	0.00%

The overall operating budget of the JUL has been just over \$1,000,000 while the City's share of the expenditures has been steadily in the \$170,000s reflecting the 17% share in accordance with the MOA. In FY 17, the City's payments were in line with the City's actual share of the overall JUL expenditures and no need for a true-up adjustment.

Recommendation

In order to ensure consistent expenditure payment process for both TCC and the City, management should:

- 2.1 Update the MOA to reflect a negotiated monthly fixed flat fee billing method based upon actual costs of the previous year.



Office of the City Auditor Audit of the Joint Use Library Contract

Conclusion

Our audit identified some issues with receiving support documentation and the City's ability to verify ongoing JUL expenditures. Implementing our recommendations for a monthly flat fee to cover the City's share of expenditures will alleviate these issues. Otherwise, the joint efforts of TCC and the City continues to benefit both the students of TCC and the residents of the City.

Acknowledgements

We would like to thank the management and staff of the Department of Public Libraries and Tidewater Community College for their cooperation and responsiveness to our requests during our audit and their receptiveness to questions, recommendations, and suggestions.



City of Virginia Beach

VBgov.com


DEPARTMENT OF LIBRARIES
ADMINISTRATION
757-385-8709
TTY: 711

MUNICIPAL CENTER
BUILDING 19, ROOM 210
2416 COURTHOUSE DRIVE
VIRGINIA BEACH, VA 23456-9126

INTER-OFFICE MEMORANDUM

DATE: January 16, 2018

TO: Lyndon S. Remias, City Auditor

FROM: Eva Poole, Director of Public Libraries 

SUBJECT: Response to Audit of the Joint Use Library Contract

The Virginia Beach Public Library (VBPL) takes pride in the successful partnership with Tidewater Community College (TCC) in the operation of the Joint Use Library. The Joint Use Library is the first of its kind on the East Coast and this location's programs and services are valued by our customers and the college community respectively.

VBPL continues to review our financial procedures to streamline processes to be more transparent, while consistently practicing good stewardship of City resources. I value the information you have provided in the review and audit of the Joint Use Library contract and support your recommendations. VBPL will utilize the following measures to implement your findings:

1. Missing Support Documentation
2. JUL Operating Budget and Actual Expenditures Reconciliation

Response: VBPL will work with TCC to modify the Memorandum of Agreement to include language of a fixed flat monthly fee that is negotiated every year based on actual costs of the previous year. Based on your recommendation, VBPL will no longer request supporting documentation for the fixed flat monthly cost; however, documentation will be required for any one-time variable costs.

Thank you for your time and expertise provided throughout this audit process. Please feel free to contact me should you require additional information.

EP/ad

Cc: Kenneth Chandler, Deputy City Manager
Steve Litherland, Associate Vice President of Libraries for TCC
Sarah Falls, Director of Joint Use Library for TCC
Heather McCraig, Associate Vice President of Finance for TCC
Angela Davis, Administrative Services Manager



TIDEWATER COMMUNITY COLLEGE
From here, go anywhere.SM

Mr. Lyndon S. Remias
Office of the City Auditor
2401 Courthouse Drive, Room 344
Virginia Beach, VA 23456

January 19, 2018

Dear Mr. Remias,

I am writing in response to the recent audit of the Joint Library Contract (JUL) conducted in November 2017 by your office. Tidewater Community College (TCC) management understands the scope, objectives and methodology that were used during the performance of the audit. Tidewater Community College management further understands that there were two non-material findings and corresponding recommendations provided by your office. I am submitting responses to each of the findings and feedback on the recommendations below:

Finding 1: Missing Support Documentation

Section XII Financial Obligations and Arrangements of the Memorandum of Agreement (MOA) between TCC and the City of Virginia Beach Public Libraries addresses this finding in sections D. Accounting Methods and Responsibilities, E. Right to Review Accounting Books, and F. Billing Method/Periodicity and Payment Terms.

Section E. Right to Review Accounting Books states “Each Party shall be able to review the accounting books of the Library”. As stated in your audit report, “TCC provides to the City a spreadsheet listing the quarter’s expenditures paid by TCC”, the college has also offered to provide a report from our accounting system/general ledger of ledger activity for the JUL on a monthly basis. Additionally, TCC finance offices have offered for the City to review TCC accounting books/accounting system in person. TCC has provided copies of receipts and invoices to the City as a courtesy however, the MOA does not state those supporting documents are required.

TCC encourages the City to continue to question items they deem to be discrepancies however the College cannot commit to providing receipts and invoices for every charge in the JUL accounting books. As items are questioned, they will be researched and adjusted if appropriate.

Recommendation 1.1: TCC is in agreement with this recommendation.

Finding 2: JUL Operating Budget and Actual Expenditures Reconciliation

TCC agrees that budgeted and actual costs have been handled appropriately and that true-up adjustments are cumbersome.

Recommendation 2.1: TCC agrees with this recommendation and will work with the City offices to update the MOA with a strategy that is both accountable and more efficient.

Best Regards,

Heather McCraig
Associate Vice President for Finance
Tidewater Community College