



ANNUAL REPORT

Office of the City Auditor

Our Mission: Promoting Accountability and Integrity in City Operations

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Contact Information

Fraud, Waste, & Abuse Hotline

757-468-3330

<https://www.facebook.com/VBCityAuditor>



FISCAL YEAR 2014

Virginia Beach City Auditor's Office named as "Best Practice" Audit Function

A recently completed study by the Institute of Internal Auditors (IIA) Research Foundation named the City of Virginia Beach Office of the City Auditor as a "best practice" audit function and a "leader" in performance auditing. This honor was only bestowed upon 11 localities in the United States and Canada.

The study identified the following 12 "best practices" characteristics:

1. Establishing a mandate for performance auditing within the audit charter;
2. Establishing a formal audit committee with terms of reference/charter;
3. Building understanding and support for the audit activity and performance audit function;
4. Supporting the establishment of mature/robust governance processes;
5. Making performance audit reports readily available to the public;
6. Establishing risk-based, multi-year audit plans;
7. Selecting audit objectives that address all relevant/significant aspects of performance;
8. Scoping audits broadly enough to support accountability for results;
9. Following accepted auditing standards;
10. Actively building competencies and capability in performance auditing;
11. Supporting involvement of the audit activity in professional associations; and
12. Demonstrating leadership in performance auditing.



UNITED STATES

Chesapeake, VA

Virginia Beach, VA

Portland, OR

Honolulu, HI

Austin, TX

Denver, CO

Richmond, VA

Tallahassee, FL

San Antonio, TX

CANADA

Edmonton, AB

AG Toronto, ON

The research team stated, "In our view, leaders spend substantial time conducting performance audits. Our research team determined that a minimum of 40% of an audit activity's time should be spent on performance audits to support public sector governance and ensure sufficient regard for value-for-money exists within city operations. All of the audit functions that we selected for interview had to meet this hurdle."

City Auditor Lyndon Remias stated "It is a great honor that Virginia Beach was named as a best practice provider. This accolade is a testament of the hard work provided by my staff and the continued support of the audit function by the Audit Committee and City Council. We are thrilled to represent our city."

MESSAGE FROM THE CITY AUDITOR



Fiscal year 2014 was a period of continued productivity for the Office of the City Auditor. We thank the Audit Committee, City Council and City management for their strong support of the functions of our Office. In FY14, we released thirteen audit reports/memos. A summary of each report is included in this annual report. In addition, City departments agreed and committed to implementation of 100% of our FY14 audit recommendations.

During the year I was also honored to learn that a recently completed IIA Research Foundation study named the City of Virginia Beach Office of the City Auditor as one the Best Practices Audit Shops in the nation. This honor was only bestowed upon 11 organizations nationwide. I am very proud of my staff and glad to see their hard work recognized.

On a daily basis, we take pride in knowing the services we provide have helped to improve our City. We look forward to continuing to work with City Council and City management to find ways to strengthen public accountability, improve the efficiency of City operations, reduce costs, increase revenues and provide information to facilitate decision-making.

Sincerely,

Lyndon S. Remias
City Auditor

OFFICE HAPPENINGS

Casey Smith, Official for the Day, enjoyed sitting in the chair of the City Auditor



Gretchen Hudome, Deputy City Auditor & daughter, Ally at the time capsule opening for the City's 50th Anniversary



Lyndon Remias, City Auditor with Pharrell Williams, musician/entrepreneur

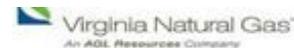


Contingency audits projected to save City approximately \$638K over 10 Years

A comprehensive billing audit of Dominion Virginia Power, Virginia Natural Gas, and Verizon Wireless was conducted during the year. Troy & Banks, a contingency audit firm, was engaged to:

- Conduct a comprehensive, forensic billing audit for all electric, natural gas, wireless and street light accounts for the City.
- Identify billing errors and discrepancies and seek retroactive credit / refunds in accordance with the State's Statute of Limitations.
- Identify possible future cost reduction opportunities.

Results of the audit revealed that sound internal controls were in place over the utility billing and payment process. While few errors were noted, the audit did identify savings and refunds of \$89,707. This amount consisted of \$13,762 utility refunds, \$53,300 utility savings, \$5,931 tax refunds, and \$16,714 street light refunds. The approximate total savings over the next 10 years is projected to be at \$638,174. The projected savings are due to the electric facility charge reductions, rate schedule changes, sales tax removal savings and street light savings.



"We partnered with the City Auditor's office to conduct this utility audit. Their staff was very knowledgeable and supportive and we are very pleased with the results."

**Lori J. Herrick, MBA, LEED AP
Energy Management Administrator**

FY2014 COMPLETED AUDITS

Performance Auditing

These audits are intended to assess the quality of performance efficiencies and effectiveness by City agencies in carrying out their assigned responsibilities. This year, the Office of the City Auditor issued seven performance audits, they are listed below:



Museum Stores

Reviewed museum store operations to ensure adequate controls and processes were in place to properly account for revenue and to safeguard assets at the museum stores.



Voter Registrar's Office

Reviewed key processes of the Voter Registrar's Office to determine areas for enhancement to operations and internal controls.



Canteen and Commissary Operations

Documented the Canteen and Commissary process and related controls and assess the design and compliance of those controls. Also verified compliance with the Code of Virginia and the Virginia Sheriff's Accounting Manual.



Animal Care and Adoption Center

Reviewed the Center's policies and procedures to ensure they are designed and implemented to achieve the Center's objectives.



Audit of Selected Revenue Collection Points

Reviewed the processes and adequacy of internal controls over the collection, depositing and reconciling of revenue at various programs and locations throughout the City.



Citywide Travel Vouchers

Determined whether travel reimbursement vouchers, payment vouchers, mileage claims were completed in accordance with the City's established internal control procedures.



Oceanfront Parking

Reviewed the revenue processes for parking lots, garages and meters and assess the design and effectiveness of internal controls to ensure proper handling, adequate safeguarding, and timely reporting of parking revenues.

FY 2014 COMPLETED AUDITS

Attestation Engagements

The scope of attestation engagements are usually more narrow than an audit. This year, the Office of the City Auditor issued six attestation engagements, they are listed below:



Governmental Accounting Standards Board (GASB) 45 Actuarial Valuation

Reviewed the reasonableness of the underlying assumptions utilized by the actuary in computing the City's GASB 45 healthcare liability.



Police Property and Evidence Unit: Cash Handling

Reviewed cash handling processes in the Police Property and Evidence Unit to ensure cash and jewelry seized and/or found is appropriately recorded, inventoried and accounted for.



City Manager's Striving for Excellence Report

Reviewed the widely-distributed Striving for Excellence Report to ensure the reasonableness of amounts and cost savings reported by the respective departments.



Enoch Baptist Church Summer Program

Reviewed program expenses to ensure expenditures are reasonable and in accordance with City agreement.



Procurement Card Transactions

Reviewed procurement card purchases within the Convention and Visitors Bureau to ensure compliance with City and department policies and procedures.



Virginia Beach Farmers' Market

Performed applicable follow-up procedures to determine department's progress toward the implementation of prior audit and investigative recommendations.

All reports can be viewed at www.vbgov.com/cityauditor

Other Projects

Single Audit and State Compliance Follow-up

- Documented the City's corrective action plan related to Single Audit and State compliance findings for the fiscal year ended June 30, 2013.

Healthcare Claims Contingency Audit

- Coordinated the audit of Optima Healthcare claims by Healthcare Horizons.

Utilities Contingency Audit

- Coordinated in partnership with Public Works, the audit of utilities (Dominion, VNG, and Verizon Wireless) performed by Troy and Banks.

Information Technology General Controls Review

- Reviewed general and application controls in coordination with the external auditors.

Follow-up on Prior Year Audit Recommendations

- Performed follow-up activities to determine whether management has taken appropriate corrective action to address findings and recommendations from previous audits.

External Audit Contract Administration

- Provided oversight and management of the City's annual financial statement audit contract.

PROFESSIONAL ACHIEVEMENTS

Congratulations Gretchen & Sharon on your completion of the Mid-Management Development Program!



Gretchen Hudome, Deputy City Auditor, Patti Greer, Manager, Learning & Development and Sharon Hayes, Forensic Audit Manager

Internship



"Interning with the Office of the City Auditor was an incredible learning experience. The Office of the City Auditor exhibits scrutiny and excruciating attention to detail while always keeping the bigger picture in mind in order

to protect the integrity of the City of Virginia Beach and maximize the value of tax-funded organizations. The position gave me an opportunity to go behind the scenes of many Virginia Beach offices and study their processes and procedures. The staff always executed their duties professionally and with composure. Not only did the staff teach me hands-on auditing and accounting lessons but also set an example of how to serve the public from a position of influence and responsibility."

Alex Fitzwilliam, University of South Carolina

"Interning at the Office of the City Auditor has been the greatest experience of my professional life. The people I've worked with truly cared about my education by teaching me all they could and giving me the hands on experience that is crucial to learning. I have learned how internal controls minimize risk, how to spot red flags, and how to find proof of fraud. The knowledge I have gained has been a catalyst to my understanding of what it means to be an internal auditor and I feel I have a distinct career advantage through this professional experience."

Tyler Gambill, Old Dominion University

PROFESSIONAL DEVELOPMENT

The Office of the City Auditor held their 3rd Annual Retreat at the Virginia Aquarium in the state of the art Komodo Board Room. It was an innovative day that included team building exercises, office strategic analysis, and the results from the study of performance auditing. Staff members topped off their day with a behind the scenes tour of the Virginia Aquarium and viewing art from Washed Ashore.org. This art is truly impressive and was created to Save the Sea. The art is made out of items that washed ashore, such as plastic bottles and caps, flip flops, fish netting, buoys, etc. The 3rd Annual Retreat was a success. Kudos to the Virginia Aquarium staff for their assistance.



Left to right – Jody Clark, Sharon Hayes, Gretchen Hudome, Lyndon Remias, Chris Ford, and Tim Bell

Office of the City Auditor – www.vbgov.com/cityauditor

Contact Information:

Lyndon Remias, CPA, CIA
City Auditor
lremias@vbgov.com

Chris Ford, CPA
Deputy City Auditor
cford@vbgov.com

Gretchen Hudome, CIA, CRMA
Deputy City Auditor
ghudome@vbgov.com

Sharon Hayes, CFE
Forensic Audit Manager
shayes@vbgov.com

Timothy Bell, CICA
Senior Auditor
tbell@vbgov.com

Jody Clark, APS
Administrative Specialist
jdclark@vbgov.com

Office of the City Auditor
2401 Courthouse Drive
Virginia Beach, VA 23456
Direct: 757-385-5870
Fax: 757-385-5875
www.vbgov.com/cityauditor

Preventing, Detecting and Reporting Fraud

A good fraud prevention program is one that is aware of its environment; assist with ensuring that fraud is prevented and detected; and made accessible to employees, customers/citizens and vendors. The Office of the City Auditor has established a strong fraud prevention program that ensures that the City's interest is both protected and monitored.

The program promotes integrity among employees and exhibits to the citizens that we are good stewards of the City's resources. The fraud prevention program is also a part of our City's Integrity Connection Initiative that is designed to promote the City's organizational values and Code of Ethics by providing awareness resources (tools) and encouraging integrity throughout the organization.

FY14 accomplishments include:

1. One member attended the 25th Association of Certified Fraud Examiners Global Fraud Conference in June.
2. The fraud hotline number was added to city contracts.
3. To date 6,879 members have completed Integrity Connection training.
4. Investigated the following:

47 allegations were received by the Office of the City Auditor in FY14. Twenty-six cases resulted in corrective action taken. Currently, several cases are pending closure due to litigation and further investigation by outside sources.

**Report Fraud,
Waste, & Abuse**

**Call the Hotline
757-468-3330**

