



Office of the City Auditor

Review of Virginia Beach Farmers Market

Report Date: July 10, 2013



Office of the City Auditor

"Promoting Accountability and Integrity in City Operations"

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Office of the City Auditor
Transmittal Letter



Date: July 10, 2013
To: James K. Spore, City Manager
Subject: Review of Virginia Beach Farmers Market

We have performed the agreed-upon procedures enumerated herein, which were agreed to by the Department of Agriculture, solely to determine department's progress toward the implementation of prior audit and investigative recommendations.

This agreed-upon procedures engagement was conducted in accordance with Government Auditing Standards (GAS). GAS 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 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.

We were not engaged to perform and did not perform an examination or GAS review of the subject matter, the objective of which would have been the expression of an opinion or limited assurance. 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 June 21, 2013.

This report is intended solely for the information and use of the Audit Committee, City Council, City Manager, and appropriate management including Department of Agriculture 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 Agriculture and Farmers Market 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@vb.gov.com](mailto:lremias@vb.gov).

Respectfully submitted,

Lyndon S. Remias, CPA, CIA
City Auditor

cc: City Council Members
Audit Committee Members
Steve Herbert, Deputy City Manager, City Manager's Office
David Trimmer, Director, Department of Agriculture



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Purpose

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

Scope and Objectives

The procedures we agreed to perform were to determine that internal controls and operating procedures were put in place to address the numerous findings we noted in our memo dated May 18, 2012 titled "Farmers' Market Operating Procedures."

We reviewed internal controls and operating procedures related to the administration of the Farmers Market that were in place at the time of our fieldwork. Our fieldwork concluded on June 21, 2013.

Methodology

To accomplish our objectives, we performed the following procedures:

- Met with appropriate staff to discuss existing internal control procedures
- Reviewed previous audit memo and management's response
- Toured the Farmers Market with staff to gain an understanding of operations
- Reviewed and tested Farmers Market financial records such as:
 - Treasurer Transmittal Form
 - InSITE Account Analysis Report
 - InSITE General Ledger Report
 - Receipt books
 - Copies of checks received
- Reviewed Farmers Market Operating documents such as:
 - Farmers Market Merchant List
 - Farmers Market Notice to Vendors
 - Service/Rental Prices and Regulations
 - Listing of Staff

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 appropriate management within the City. This report will also be made available to the public.



Background

The Virginia Beach Farmers Market features a variety of agriculturally inspired shops and related businesses that offer seasonal, fresh vegetables and fruit in addition to many other products. An organic grocery, butcher shop, seafood market, dairy and ice cream, florist, candy store, bakery, full-menu restaurant, soy candles, wild bird store, kettle corn and home and garden gift stores offer a unique and varied shopping experience. Farmer-to-you seasonal produce allow you to experience some of the best the agriculture community has to offer.

Special events are held monthly at the Farmers Market, offering family experiences of the heritage of agriculture. There are a variety of year-round events, such as, Buy Fresh Buy Local, Hoedowns, Craft shows, Produce Auctions, Storytime Classes, and Yardsales.

The Virginia Beach Farmers Market offers hands-on educational field trips year-round for children in grades Pre-K through 3rd. Activities in the Market's Rural Heritage Center include milking 'Beachy' the cow, making butter, hand pumping water and washing clothes using a washboard, shelling corn, and a planting project. *Taste of the Market* introduces you to locally grown goods in this down-to-earth tour, along with the people who make it all happen. *Farm to Table* takes you on a guided tour of area farms and into the fields to pick your own produce. Picnic tables are available on the site.



The Virginia Beach Farmers Market is located on the corner of Dam Neck and Princess Anne Roads across from Landstown Shopping Center.

Findings

Follow-Up on Prior Recommendations made to Farmers Market

In FY 2012, the Office of the City Auditor performed an operational review of the Farmers Market stemming from an internal investigation. Based on that review sixteen specific recommendations were made to enhance internal controls and business operations at the Farmers Market.



Our findings regarding the current status of each of the prior audit recommendations are shown in the chart below:

Prior Recommendations from May 18, 2012 Memo	Status
Revenue collected differed from amounts deposited: 1.1 Management should develop internal controls to ensure that all revenue collected is deposited intact.	Verified controls have been implemented. <i>Recommendation closed.</i>
Advertising revenue was not posted to the correct revenue account: 2.1 Management should ensure all monies collected for the Cooperative Advertising Campaign are posted to the correct revenue account to allow for proper accounting and monitoring of revenue.	Management no longer administers a Cooperative Advertising Campaign for the tenants. <i>Recommendation closed.</i>
Key accounting functions were not performed: 3.1 Management should develop and implement a reconciliation process to ensure that revenues collected match revenues deposited and that accountability is clearly established. If possible, appropriate separation of duties should be included in this process. 3.2 Ensure that deposits are made in a timely manner. The Farmers' Market staff should make deposits at least twice a week. If there is a weekend event that produces additional revenues, the deposit should be made three times during that week. (Implemented: February 2012)	Verified a reconciliation process has been implemented. <i>Recommendation closed.</i> Verified that deposits are being made timely. <i>Recommendation closed.</i>
Unsupported financial system in use: 4.1 Management should ensure that the accounting system, supported by ComIT, is properly maintained and updated in a timely manner.	Farmers Market has purchased a new accounting system and is in the process of implementing the system. The system meets their operating needs and is supported by ComIT. <i>Recommendation closed.</i>
Rental payments in arrears: 5.1 Management should remove the collections of lease payments and the leasing process from the Farmers' Market and utilize the City's Division of Facilities Management, which is responsible for the leasing process and rent collections for the rest of the City's leased properties. (Implemented: April 2012) 5.2 Management should request a revenue code be established in InSITE to track revenue deposits for Farmers' Market leases. Each individual lease should be assigned a unique shared program code segment that will identify the lease account as a specific Farmers' Market lease. (Implemented: April 2012)	Verified that lease payments are no longer collected at Famers' Market. <i>Recommendation closed.</i> Verified that a revenue code has been established in InSITE to track revenue deposits for each Farmers Market lease. <i>Recommendation closed.</i>



Prior Recommendations from May 18, 2012 Memo		Status
Vendors operating without a lease agreement:		
6.1	Management should ensure all vendors occupying a permanent structure or selling goods on a continuous basis have a signed lease agreement.	Verified that each vendor has a signed lease. <i>Recommendation closed.</i>
6.2	Farmers' Market staff should work with Facilities Management to ensure that all vendors that require a lease agreement have a properly executed lease, including approved City Council ordinance.	Verified that each vendor has a signed lease. <i>Recommendation closed.</i>
City's contracting requirements not always followed:		
7.1	Management should ensure that all agreements/contracts are reviewed by the City Attorney's Office and have the proper signatures.	Verified that procedures are in place to ensure all agreements/contracts are review by City Attorney's Office. <i>Recommendation closed.</i>
7.2	Management should ensure that for all future contracts entered into that the approving official and the notary are separate individuals.	Verified that procedures are in place to ensure requirements are followed. <i>Recommendation closed.</i>
Unauthorized procurement:		
8.1	Management should ensure that all City procurement policies are adhered to and that the manager is properly trained on procurement and purchasing requirements.	Verified that procedures are in place to ensure policies are followed. <i>Recommendation closed.</i>
8.2	The violation should be forwarded to the City's Purchasing Agent for any action deemed necessary.	Verified that this was completed. <i>Recommendation closed.</i>
Required proof of insurance not maintained on site:		
9.1	Management should ensure that a copy of insurance coverage is on file at the Farmers' Market for each vendor.	Verified that this is being handled by the Facilities Management Office. FMO will maintain the copies on Sharepoint and copies will not be required to be maintained at the Farmers Market. <i>Recommendation closed.</i>
Cash and checks unsecured:		
10.1	Management should ensure all monies are secured upon receipt. The Farmers' Market should purchase a safe and have it bolted to the floor.	Verified that a safe has been installed and bolted to the floor. <i>Recommendation closed.</i>
10.2	In order to ensure the safety of the staff and safeguarding of monies collected, management should implement counting procedures that require the monies be counted in the Farmers' Market Office with the door locked and curtains drawn.	Verified that management has implemented procedures to safeguard staff and counting of cash. <i>Recommendation closed.</i>



Conclusion

The Department of Agriculture and the Farmers Market have fully addressed our previous audit recommendations by implementing and enhancing operating procedures and internal controls.

Acknowledgements

We would like to thank the Department of Agriculture and the Farmers Market for their responsiveness to our requests during the review and their receptiveness to questions and comments. Furthermore, the Department of Agriculture and the Farmers Market should be commended for their efforts in improving and strengthening the internal controls and business operations at the Farmers Market.



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July 10, 2013

Lyndon Remias, City Auditor
Municipal Center, Building 1
Virginia Beach, VA 23456

Subject: Review of Virginia Beach Farmer's Market

Dear Mr. Remias,

This letter serves as an acknowledgement of our meeting today, July 10th, 2013, to review the Virginia Beach Farmers Market follow up. The meeting was to review the current status of each of the prior audit recommendations made in May of 2012. As noted in the audit document and our meeting the City of Virginia Beach Agriculture Department has addressed all the recommendations as outlined in the May 2012 audit. The sixteen recommendations have been completed and implemented as part of our operating policies and procedures.

We appreciate the assistance of the Departments of Auditing, Finance, Purchasing and Legal in meeting our goals of operating a 1st class Farmers Market.

Sincerely,

David Trimmer
Director

DET/rs

Cc: Steve Herbert, Deputy City Manager, City Manager's Office