



A N N U A L

R E P O R T



07/01/2020 - 06/30/2021



Source : City of Virginia Beach

OFFICE OF THE CITY AUDITOR

To promote accountability and integrity in City operations
by providing quality audit services.

WEBSITE :



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City Auditor
Lyndon Remias,
CPA, CIA

Message from the City Auditor

It is my pleasure to present the FY 21 Annual Report for the Office of the City Auditor. This report highlights major accomplishments and initiatives over the past year along with other key information.

PPE, Cares Act, contact tracing, vaccines, lockdowns and masks—all became part of our everyday vernacular. Navigating working from home, Zoom meetings, and conducting audits all were challenges that FY 21 presented. Even if it felt as such, COVID-19 was not the only noteworthy event of FY 21. As you'll see in this report, the Office of the City Auditor was busy throughout the year continuing our mission of promoting accountability and transparency in City operations. Despite all the challenges we faced, we were able to complete multiple audits, investigations, and other special projects detailed within the annual report.

I would like to thank the City Council, Audit Committee and City management, and all the hardworking employees who help make the City of Virginia Beach one of the best run cities in America. We are glad to have played a role in earning that moniker.



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**FY 21
IN REVIEW**



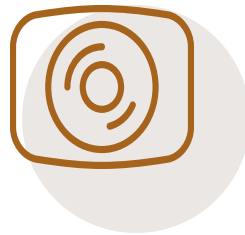
Audit Reports Issued in FY 21

Each year, the Office of the City Auditor develops a schedule of planned audits based on an overall assessment of risk.



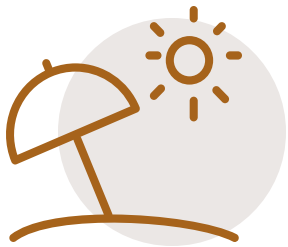
Investigative Review Panel

Assessed the adequacy of the polices, procedures and controls in the play with regard to the City's Investigative Review Panel, including benchmarking the IRP to the new legislation passed by the Virginia General Assembly, and other localities in order to determine best practices.



Police Body Worn Camera Program

Assessed compliance with the Police Department's body-worn camera policy including review of training, and video retention, and oversight.



Visitor Information Center

Reviewed Visitor Information Center operations including revenues, reimbursements, change funds and implementation of prior recommendations.



Public Health Emergency Operations and Leave Policy

Reviewed the City's Public Health Emergency (PHE) Operations and Leave Policy to ensure compliance with federal regulations and employee PHE leave usage complied with related sections of the policy.



Juvenile Detention Center

Reviewed the operations of the Juvenile Detention Center including review of policies and procedures to ensure efficiency and in accordance with City policies and select areas deemed critical by the Virginia Department of Juvenile Justice.

Other Projects & Activities

- ✓ External Audit Contract Administration
- ✓ Follow-up Prior Year Audit Recommendations
- ✓ Information Technology General Controls Review
- ✓ Volunteer Resources Annual Report
- ✓ Healthcare Claims
- ✓ Vanguard Landing



Police Property and Evidence Unit

Assessed the effectiveness of internal controls over recording, safekeeping and disposition of property and evidence maintained by the Police/Property and Evidence Unit.



COVID 19 City Economic Support: (Business) – EDIP Part E Grants & Public Services Relief- (Individuals)

Reviewed the selection and approval process of the EDIP Part E Grants and the management and application of funds related to public services relief.

Our audit reports are available
on our website at
www.vbgov.com/cityauditor

Highlights



01

EXTERNAL AUDIT SERVICES

- **Cherry Bekaert, LLP:** The City has contracted with Cherry Bekaert, LLP to perform the annual independent audit of financial statements of the City and Virginia Beach Development Authority for FY 21 and FY 22. The contract includes three (3) one-year renewal periods.
- Preliminary work including internal control testing, APA and Single Audit, began in June.

02

PROMOTIONS

- **Audit Manager:** Congratulations to Tony Gonzalez on his new role.
- **Senior Fraud Investigator:** Congratulations to Daniel Rinehart on both his promotion and on earning the Certified Fraud Examiner (CFE) Certification.

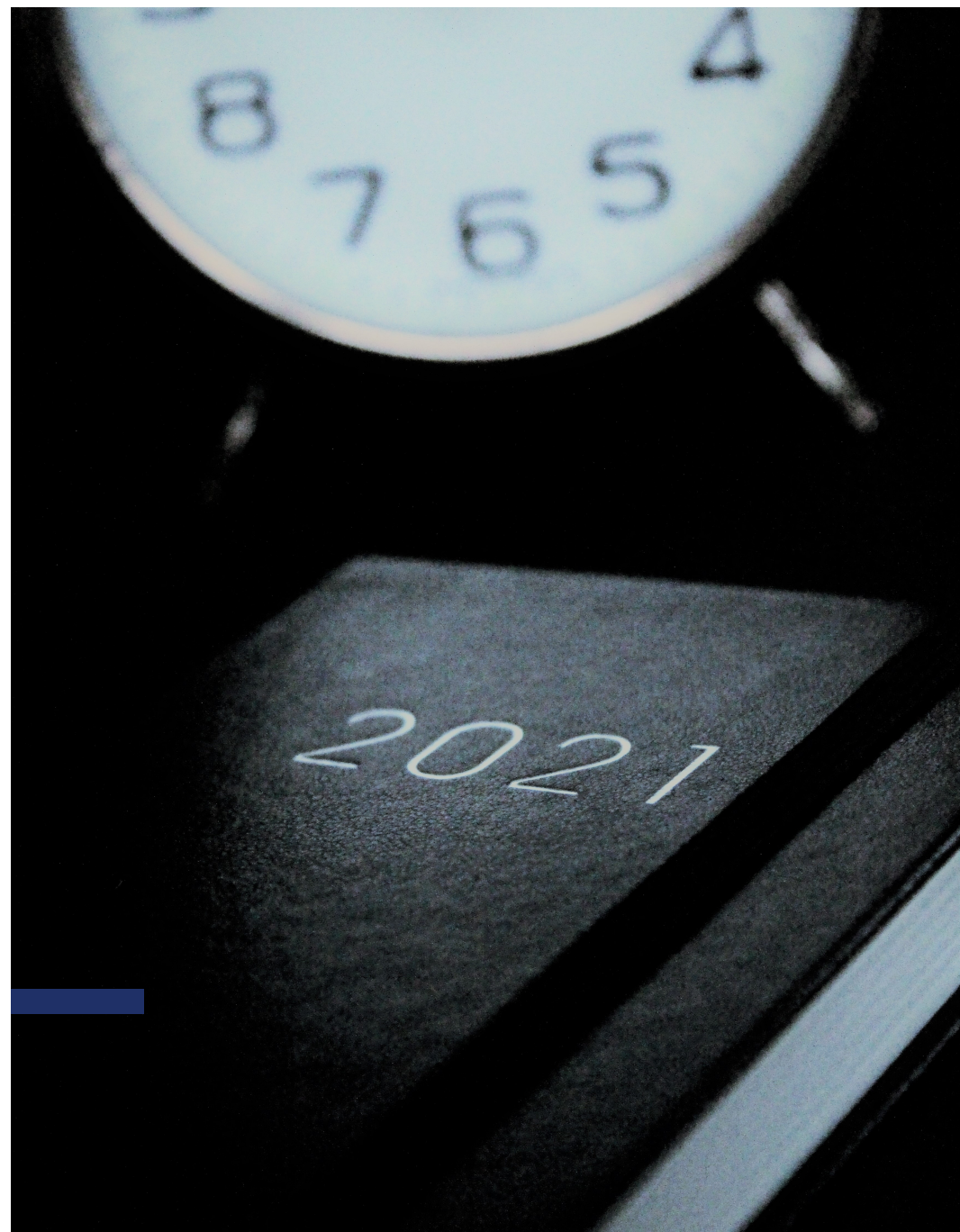
03

RECOVERIES

- **Healthcare Claims Recovery:** \$124,000
- **Vanguard Landing Repayment of Loan:** \$500,000



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**UPCOMING FOR
FY 22**



Upcoming Audits for FY 22

Some audits placed on the FY 22 Audit Schedule were based on concerns expressed by City Council and management.



**Short Term
Rental Program**



City Garage Parts



**Sole Source
Contracts**



**2022 Actuarial
Valuation of
Other
Postemployment
Benefits (OPEB)**



**Follow-Up Review:
Economic
Development
Investment
Program-Grants
Awarded**



**Cellphone Tower
Revenue**

Other Projects



**Horizons Healthcare
Claims Contingency Audit**



**Information Technology
General Controls Review**



Oracle Financial Cloud



**VBTime: Time and
Attendance Time
Management
Implementation**



Expenditure Analytics



**Surface Water Regulatory
Compliance Program**



Fraud, Waste & Abuse



Forensic Audit Division (FID)

FORENSIC AUDIT MANAGER'S PERSPECTIVE

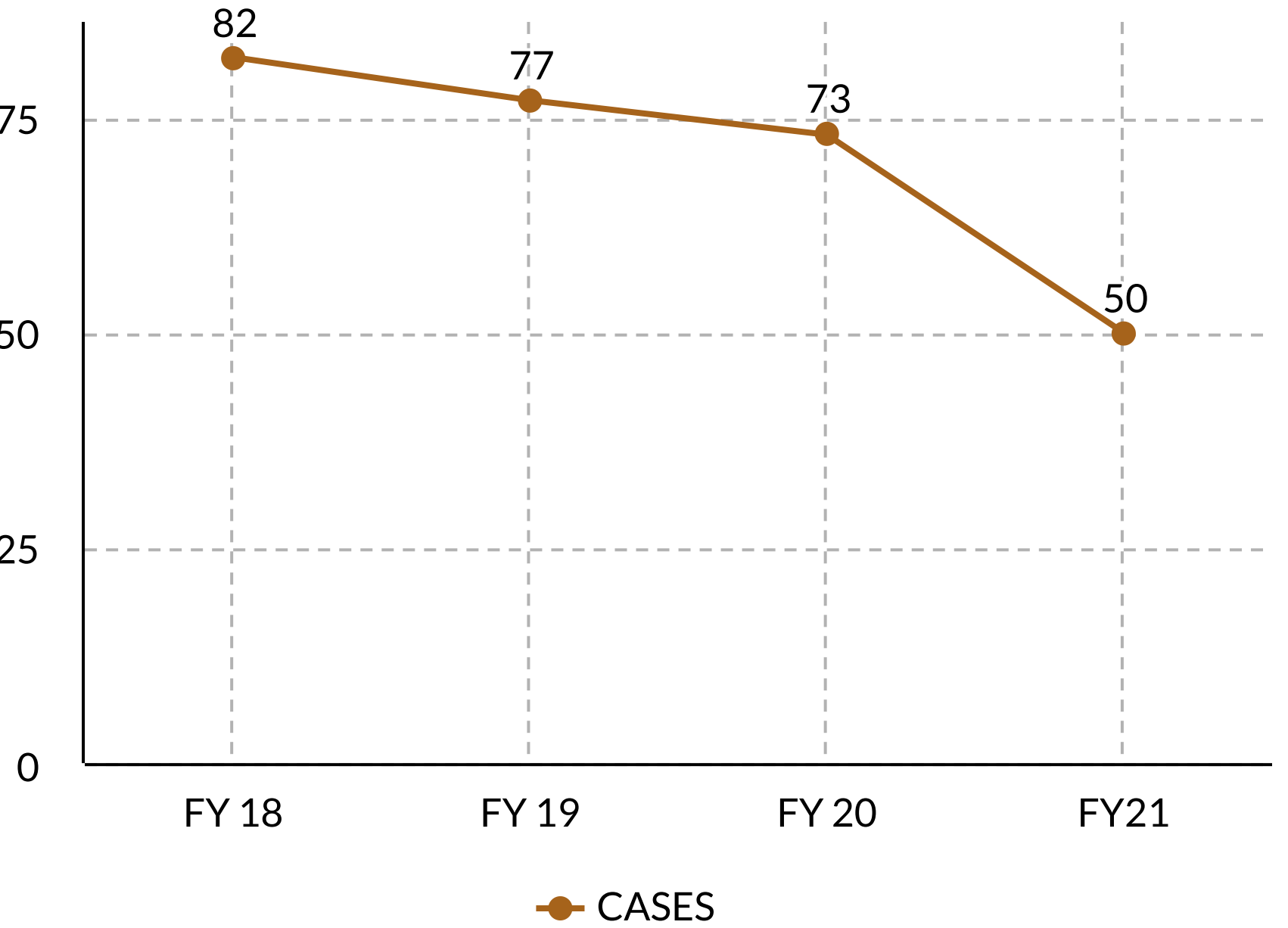
It is that time of year again, the voice of protecting the City against fraudulent activities must speak. Although the past fiscal year yielded less cases, the complexity of some of the cases was intense. A lot of you don't know what it takes to ensure that the City's integrity is maintained. Let's give you a little peek. This year, we worked with several Virginia State Departments to ensure that information breaches were secured. This required learning Federal and State Regulations in a short period of time; working with law enforcement; and coordinating evidence with the Commonwealth's Attorney.

It may seem glamorous to some; heartbreaking to others; and, to others, they feel that they can wear their own investigator hats. Trust me when I say, it's not glamorous. Yes, it is heartbreaking to some and always to us; but, it takes more than wearing a hat, it takes skills that must be learned over time.

Once again, to all of you out there who ensure that City assets are maintained and accounted for, the FID team applauds you for all that you do. For those of you who are on the fence, the FID team is here to ensure you stay on the right side of the fence. Remember, "Doing the Right Thing Should be a Lifetime Achievement."

Thank you! - Sharon Hayes, CFE

HOW MANY ALLEGATIONS DID WE RECEIVE IN FY 21?



TO REPORT ANY FRAUDULENT ACTIVITY :

- **Confidential Hotline:**
757-468-3330
- **Confidential Email:**
ReportVBFraud@vbgov.com

SUBJECT OF THE ALLEGATION:

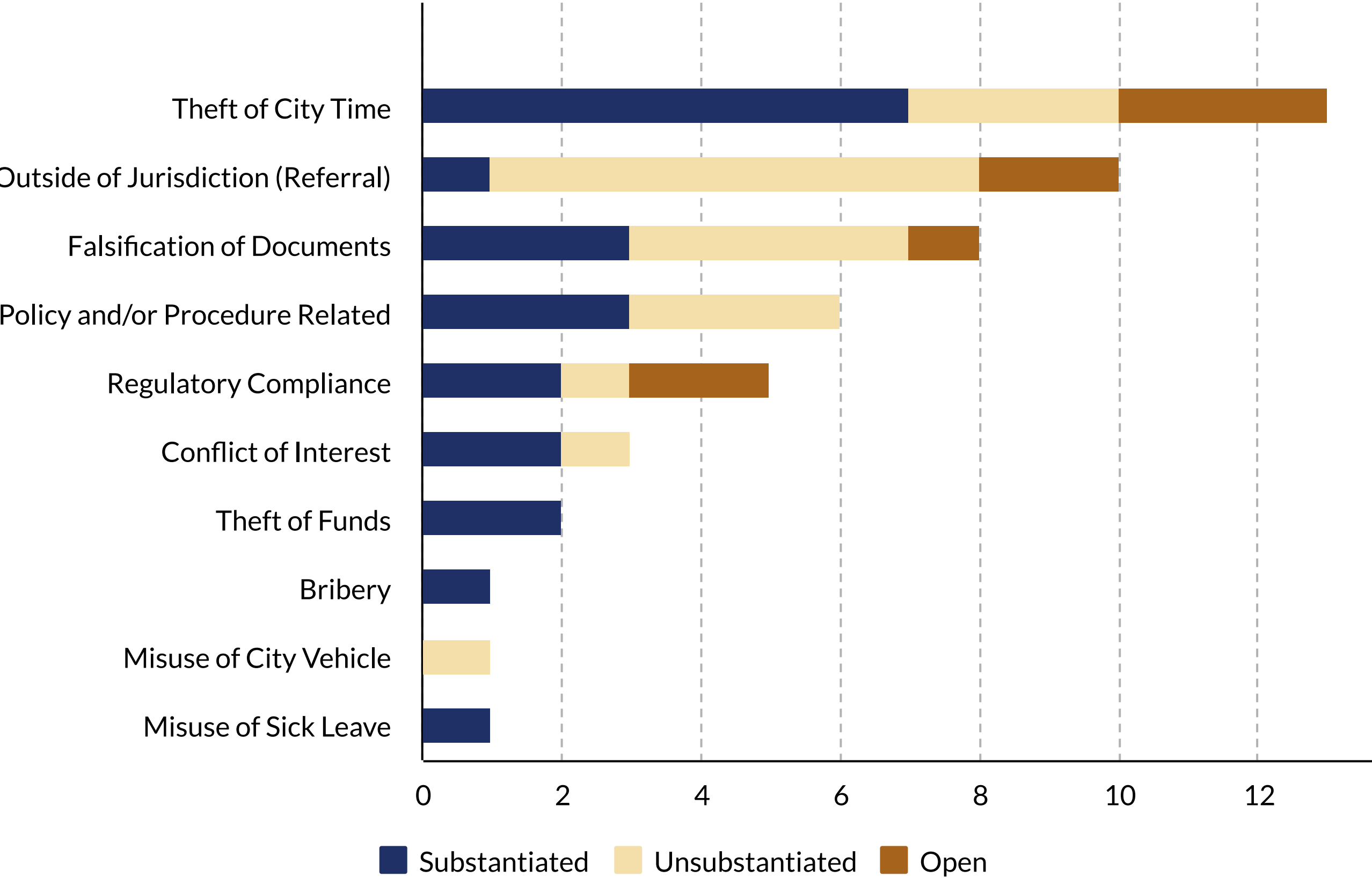
 CITIZEN
5

 MANAGEMENT
6

 EMPLOYEE
39

 TOTAL RECIEVED
50

ALLEGATIONS RECEIVED BY TYPE AND STATUS



RECOVERIES FOR FY 21:

Employee restitutions from prior cases totaling
\$85,919

WHAT WAS REPORTED?

CATERGORY	DESCRIPTION	TOTAL
Theft of City Time	Employee time theft, conducting personal business on City time, etc.	13
Falsification of Documents	Falsification of official documents such as workorders, work logs, client records, etc.	8
Policy and/or Procedure Related	Violations of established policies and procedures such as PHE leave and injury leave, etc.	6
Regulatory Compliance	Violations of State and City policies.	5
Conflict of Interest	Procurement policy violations, false reporting.	3
Misuse of City Vehicle	Violation of established policy	1
Theft of Funds	Missing funds.	2
Bribery	Having citizens pay for services not required.	1
Misuse of Sick Leave	Violation of City sick leave policy.	1
Outside of Jurisdiction (Referral)	Benefits fraud (i.e., Section 8, etc.), other agencies.	10
TOTAL		50



**FY 21 Case
Summaries**

FY 21 Summary of Substantiated Fraud, Waste, and Abuse Cases

ALLEGATION	DEPARTMENT	SUMMARY OF FINDINGS	ACTION TAKEN/DISCIPLINE
Falsification of Documents	Human Services	Employee falsified information into a State System.	Employee resigned pending termination.
Theft of City Time & Falsification of Documents	Parks and Recreation	Employee falsified timesheets.	Employee received a five-day suspension.
Theft of City Time & Falsification of Documents	Public Works	Employee conducted business relating to a secondary job on city time.	Employee resigned during the investigation.
Falsification of Documents	Human Services	Employee created false documents and falsely signed and represented themselves as a licensed-resident clinician.	Employee was terminated.
Conflict of Interest	City Manager's Office	Employee violated City's procurement policy regarding conflict of interest.	Employee has since retired.
Theft of City Time & Falsification of Documents	Parks & Recreation	Employee falsified timesheets.	Employee resigned.
Falsification of Documents	Public Works	Employee submitted multiple false doctor's notes to Occupational Health.	Employee was terminated.
Section 8 Housing	Housing & Neighborhood Preservation	A resident violated housing program regulations.	Resident received a letter of proposed termination from the program.

FY21 Summary of Substantiated Fraud, Waste, and Abuse Cases

ALLEGATION	DEPARTMENT	SUMMARY OF FINDINGS	ACTION TAKEN/DISCIPLINE
Theft of City Time & Falsification of Documents	Public Works	Three employees had several hours of time discrepancies between their work orders and AVL reports. Valid explanations for the discrepancies could not be provided.	The employees received a letter of expectations on the improved processes of timekeeping and documentation. Team leader retired during the investigation. Supervisors will conduct periodic reviews to ensure accuracy. The department has also implemented a new work management system to improve efficiency.
Policies and Procedures	Public Works	Supervisor inappropriately shared an employee's medical information with staff.	The supervisor was counseled on the proper guidelines and the importance of confidentiality.
Theft of City Time & Falsification of Documents	Public Utilities	Employee falsified work orders and timesheets, as well as spent significant time idling in their City vehicle.	Due to other mitigating circumstances management decided not to discipline the employee.
Theft of City Time & Falsification of Documents	Parks & Recreation	Employee regularly arrived late to work and falsified timesheets, resulting in overpayment.	Employee was terminated.
Regulatory Compliance	Human Services	The employee violated State and City policies.	Due to other mitigating circumstances, management decided not to discipline the employee.

FY21 Summary of Substantiated Fraud, Waste, and Abuse Cases

ALLEGATION	DEPARTMENT	SUMMARY OF FINDINGS	ACTION TAKEN/DISCIPLINE
Bribery	Public Utilities	Employees attempted to pressure several residents to pay them directly for services.	Police were notified. One employee resigned during the investigation. Discipline is pending for two additional employees.
Theft of City Time & Falsification of Documents	Human Services	Employee falsified timesheets.	Employee resigned during the investigation.
Theft of City Time	Public Utilities	Employee regularly violated the City policy regarding idling in a City vehicle.	The department provided staff with a refresher of the policies and procedures, including the avoidance of idling for extended periods.
Policies and Procedures	Parks & Recreation	Supervisor did not share with employees' notifications related to positive COVID-19 tests with employees in a timely manner.	Going forward, the department will notify all employees at a work location if someone tests positive, regardless of when they last reported to the job site. Any deviations from this policy will be only be made, and documented in writing, after consultation with Human Resources.
Regulatory Compliance	Human Services	Employee violated departmental and State policy.	Due to other mitigating circumstances management decided not to discipline the employee.

FY21 Summary of Substantiated Fraud, Waste, and Abuse Cases

ALLEGATION	DEPARTMENT	SUMMARY OF FINDINGS	ACTION TAKEN/DISCIPLINE
Theft of Funds	Human Services	A resident's money was discovered missing during their discharge from a facility. Staff members responsible for the resident's discharge did not follow proper procedure.	The department reimbursed the resident for the missing funds and implemented several changes to strengthen controls and improve processes.
Policies and Procedures	Parks & Recreation	An employee was overpaid for injury leave.	Department has implemented process improvements to prevent future incidents. Employee was not made to reimburse the City, due to the department being at fault.
Misuse of Time	Fire	Employee used sick leave to avoid a mandatory assignment. No doctor's note was provided to excuse the absence.	Employee received a 40-hour suspension.
Theft of Funds	Human Services	Money was missing from a client's secured funds balance.	The client was reimbursed the missing money. All staff members received refresher training on client funds management. Supervisors will continue to complete unscheduled, random audits of client funds.

**THANK
YOU**



Sneak peek of the new City Hall, pictured left to right:
Rosana Clark, Lyndon Remias, Gretchen Hudome, Daniel Rinehart,
Sharon Hayes, Bobbie Beddow, Tony Gonzalez

Audit Committee Members: Sharon Brown, Emilson Espiritu,
and Karen Hill. City Council members, James Wood and Louis
Jones

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