



# **CITY OF RICHMOND, VIRGINIA**

## **COMPLIANCE REPORTS**

*For the Year Ended June 30, 2013*

CITY OF RICHMOND, VIRGINIA  
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**Report of Independent Auditor on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

To the Honorable Members of City Council  
City of Richmond, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Richmond, Virginia (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 24, 2014. That report recognizes that the City implemented two new accounting standards effective July 1, 2012. Our report included an emphasis paragraph indicating that the governmental activities, aggregate discretely presented component units and aggregate remaining fund information net position as of June 30, 2012 has been restated. Our report includes a reference to other auditors who audited the financial statements of the Richmond Redevelopment and Housing Authority, the Economic Development Authority of the City of Richmond, Virginia and the Richmond Behavioral Health Authority, all of which are component units of the City. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2013-1 and 2013-2 to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**City of Richmond, Virginia's Response to Findings**

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Cheryl Behrman CP". The signature is written in a cursive style.

Richmond, Virginia  
February 24, 2014

## **Report of Independent Auditor on Compliance For Each Federal Major Program and on Internal Control Over Compliance Required By OMB Circular A-133**

To the Honorable Members of the City Council  
City of Richmond, Virginia

### **Report on Compliance for Each Major Federal Program**

We have audited the City of Richmond, Virginia's (the "City's") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") *Circular A-133 Compliance Supplement* that could have a direct or material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the Richmond Redevelopment and Housing Authority and the Richmond Behavioral Health Authority, which received approximately \$57,241,000 and \$5,991,000, respectively, in federal awards, which are not included in the schedule of expenditures of federal awards for the year ended June 30, 2013. Our audit, described below, did not include the operations of the Richmond Redevelopment and Housing Authority and the Richmond Behavioral Health Authority because the component units engaged other auditors to perform an audit in accordance with OMB Circular A-133.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

### **Basis for Qualified Opinion on Temporary Assistance for Needy Families, Medical Assistance Program, and Child Care and Development Fund Cluster**

As described in items 2013-3, 2013-4, and 2013-5 in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient documentation supporting the compliance of the Temporary Assistance for Needy Families (CFDA Number 93.558), Medical Assistance Program (CFDA Number 93.778), and Child Care and Development Fund Cluster (CFDA Numbers 93.575 and 93.596) program requirements regarding participant eligibility, nor were we able to satisfy ourselves as to the City's compliance with those requirements by other auditing procedures. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to those programs.

### **Qualified Opinion on Temporary Assistance for Needy Families, Medical Assistance Program, and Child Care and Development Fund Cluster**

In our opinion, except for the possible effects of such noncompliance discussed in the Basis for Qualified Opinion paragraph, if any, as might have been determined had we been able to examine sufficient evidence regarding the City's compliance with the requirements of its Temporary Assistance for Needy Families, Medical Assistance Program, and Child Care and Development Fund Cluster programs regarding eligibility, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Temporary Assistance for Needy Families, Medical Assistance Program, and Child Care and Development Fund Cluster programs for the year ended June 30, 2013.

### **Unmodified Opinion on Each of the Other Major Federal Programs**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2013.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2013-6. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and a significant deficiency.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-3, 2013-4, and 2013-5 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-6 to be a significant deficiency.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February 24, 2014, which contained unmodified opinions on those financial statements. We did not audit the financial statements of the Richmond Behavioral Health Authority, the Richmond Redevelopment and Housing Authority, and the Richmond Economic Development Authority, which represent 68.6%, 25.5% and 99.9%, respectively, of the total assets, revenues, and net assets of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us and our opinions insofar as they relate to the amounts included for the Richmond Behavioral Health Authority, the Richmond Redevelopment and Housing Authority, and the Richmond Economic Development Authority are based solely on the reports of the other auditors.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Richmond, Virginia  
September 23, 2014

**Report of Independent Auditor on Compliance with  
Commonwealth of Virginia's Laws, Regulations,  
Contracts, and Grants**

The Honorable Members of the City Council  
City of Richmond, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Richmond, Virginia (the "City"), as of and for the year ended June 30, 2013, and the related notes to the financial statements and have issued our report thereon dated February 24, 2014.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, the objective of our audit of the basic financial statements was not to provide an opinion on overall compliance with such provisions, and, accordingly, we do not express such an opinion.

The following is a summary of the Commonwealth of Virginia's laws, regulations, contracts, and grants for which we performed tests of compliance:

<b>Code of Virginia</b>		<b>State Agency Requirements</b>
Budget and Appropriation Laws	Procurement	Education
Cash and Investments	Unclaimed Property	Comprehensive Services Act Funds
Conflicts of Interest		Social Services
Debt Provisions		Highway Maintenance Funds
Retirement Systems		

The results of our tests disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the specifications, and which are described in the accompanying schedule of findings and questioned costs as items 2013-7, 2013-8, and 2013-9.

The City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of compliance with certain provisions of the Commonwealth of Virginia's laws regulations, contracts and grants and the results of that testing, and not to provide an opinion on the City's compliance. Accordingly, this communication is not suitable for any other purpose.



Richmond, Virginia  
September 23, 2014



**CITY OF RICHMOND, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*FOR THE YEAR ENDED JUNE 30, 2013*

<b>Grantor/Program Title Pass Through Grantors' Number</b>	<b>Federal CFDA Number</b>	<b>Federal / Pass Through Grantor Number</b>	<b>2013 Federal Expenditures</b>
<b>OFFICE OF NATIONAL DRUG CONTROL POLICY</b>			
Passed Through University of Maryland			
High Intensity Drug Trafficking Agency	7.999	Z951416;Z972805;Z972806;Z 992311; Z992314	\$ 203,517
<b>TOTAL DEPARTMENT OF INTERIOR</b>			<b>203,517</b>
<b>DEPARTMENT OF AGRICULTURE:</b>			
Direct Payments:			
Child and Adult Food Program	10.558	59729	196,315
Direct Payments:			
Farm to School Grant Program	10.575		40,500
Passed Through Virginia Department of Health:			
Child and Adult Food Program	10.558	03CH0173/28	2,532
Direct Payments:			
Summer Food Service Programs for Children	10.559	56393	849,569
Passed Through Virginia Department of Agriculture and Consumer Services:			
National School Lunch Program	10.555	10.555/2012	485,632
Passed Through Virginia Department of Education:			
National School Breakfast Program	10.553	10.553/2012; 10.553/2013	2,701,524
National School Lunch Program	10.555	10.555/2012; 10.555/2013	6,753,568
Total Child Nutrition Cluster (10.553/10.555/10.559)			<u>10,790,293</u>
Passed Through Virginia Department of Education:			
Fresh Fruit & Vegetables Program	10.582	10.582/12/13	649,629
Passed Through Virginia Department of Social Services:			
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561		3,455,878
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<b>15,135,147</b>
<b>DEPARTMENT OF DEFENSE:</b>			
Direct Payments:			
Air Force ROTC	12.XXX		58,875
Army ROTC	12.XXX		480,352
<b>TOTAL DEPARTMENT OF DEFENSE</b>			<b>539,227</b>

**CITY OF RICHMOND, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*FOR THE YEAR ENDED JUNE 30, 2013*

Federal Grantor/Pass Through Grantor/Program Title Pass Through Grantors' Number	Federal CFDA Number	Federal / Pass Through Grantor Number	2013 Federal Expenditures
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>			
Direct Payments:			
Community Development Block Grant Program	14.218	B13MC510019	\$ 2,763,428
Total CDBG Entitlement Grants Cluster			<u>2,763,428</u>
Emergency Solutions Grants	14.231	E12MC510004	377,186
Supportive Housing Program	14.235	VA0012B3F001104 VA0010C3F001104; VA0010C3F001003; VA0147C3F000900; VA0149C3F000900; VA0002C3F000800; VA0001C3F000800	49,292
Shelter Plus Care	14.238	M12MC510205	1,037,304
The Home Program	14.239	VAH12-F001	1,993,860
HOPWA	14.241	B11MN510001	817,603
Neighborhood Stabilization Program	14.264	CCPVA0040-10	328,507
Community Challenge Planning Grants and TIGER II Planning Grants	14.704		259,976
Passed Through Virginia Department of Housing and Community Development:			
Neighborhood Stabilization Program	14.264	2008NSP	110,825
<b>TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<b><u>7,737,981</u></b>
<b>DEPARTMENT OF JUSTICE:</b>			
Direct Payments:			
Federal Asset Forfeiture	16.XXX		299,600
Drug Court Discretionary Grant	16.585	2010-DC-BX-0060	72,877
Bulletproof Vest Partnership Program	16.607		13,055
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-1224; 2010-DJ-BX-1649; 2011-DJ-BX- 2588; 2012-DJ-BX-0602; 13-A2611AD11	307,587
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	2010-MO-BX-0056	96,636
Passed Through Virginia Department of Criminal Justice:			
Offender Reentry Initiative	16.202	10-A2204OT07	33,471
Juvenile Accountability Incentive Block Grant	16.523	12-N3225JB10; 13-D6002JB10	51,263
Juvenile Justice and Delinquency Prevention	16.540	12-B2241JJ09; 12-A2339JJ10; 13-B2339JJ11	30,046
Passed Through Bedford County Sheriff's Office:			
Internet Crimes Against Children Task Force - ARRA	16.800	2009-SN-B9-K012	14,660
<b>TOTAL DEPARTMENT OF JUSTICE</b>			<b><u>919,195</u></b>

**CITY OF RICHMOND, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*FOR THE YEAR ENDED JUNE 30, 2013*

<b>Federal Grantor/Pass Through Grantor/Program Title Pass Through Grantors' Number</b>	<b>Federal CFDA Number</b>	<b>Federal / Pass Through Grantor Number</b>	<b>2013 Federal Expenditures</b>
<b>DEPARTMENT OF LABOR</b>			
Passed Through Capital Region Workforce Partnership: WIA Youth Activities	17.259	AA-20224-10-55A-51; AA-21426-11-55A-51	\$ 401,059
<b>TOTAL DEPARTMENT OF LABOR</b>			<b>401,059</b>
<b>DEPARTMENT OF TRANSPORTATION</b>			
Direct Payments:			
Federal Transit Capital Investment Grants	20.500		546,824
National Infrastructure Investments	20.933		99,254
			<u>646,078</u>
Passed Through Virginia Department of Transportation:			
Highway Planning and Construction	20.205	UPC 97360; 47008-32; 47012-49	6,875,938
Recreational Trails Program	20.219		68,754
Total Highway Planning and Construction Cluster			<u>6,944,692</u>
Passed Through Virginia Division of Motor Vehicles:			
Traffic Engineering/Data Surveillance	20.600	PS2013533255040; SC2013533245039;	45,916
Alcohol Open Container Requirements	20.607	OP2013532955010 K82013532945009; 154AL2012521214499	71,983
<b>TOTAL DEPARTMENT OF TRANSPORTATION</b>			<b>7,708,669</b>
<b>ENVIRONMENTAL PROTECTION AGENCY:</b>			
Direct Payments:			
Urban Waters Small Grants	66.440		24,932
Passed Through Virginia Resource Authority:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	C-515390-02; C-515430-02	13,310,116
<b>TOTAL ENVIRONMENTAL PROTECTION AGENCY</b>			<b>13,335,048</b>

**CITY OF RICHMOND, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*FOR THE YEAR ENDED JUNE 30, 2013*

<b>Federal Grantor/Pass Through Grantor/Program Title Pass Through Grantors' Number</b>	<b>Federal CFDA Number</b>	<b>Federal / Pass Through Grantor Number</b>	<b>2013 Federal Expenditures</b>
<b>DEPARTMENT OF ENERGY:</b>			
Direct Payments:			
Energy Efficiency and Conservation Block Grant Program, ARRA	81.128	DE-EE0000878	\$ 78,896
<b>TOTAL ENVIRONMENTAL PROTECTION AGENCY</b>			<b>78,896</b>
<b>DEPARTMENT OF EDUCATION:</b>			
Direct Payments:			
Impact Aid - Maintenance and Operations	84.041		275,429
Fund for Improvement of Education	84.215	U215X090442	236,767
Passed Through Virginia Department of Education:			
Title I Grant to Local Educational Agencies	84.010	S010A100046 / S010A110046 /S040A120046/123-S010A090046	<u>25,423,280</u>
Total Title I, Part A Cluster			<u>25,423,280</u>
Special Education - Grants to States	84.027	H027A110107;H027A120107	6,621,408
Special Education - Preschool Grants	84.173	H173A100112; H173A110112	<u>116,096</u>
Total Special Education Cluster (IDEA)			<u>6,737,504</u>
Technology Literacy Challenge Fund Grants	84.318	S318X050046;S318X100046	37,416
Education Technology State Grants, ARRA	84.386	S386A090046	<u>1,479</u>
Total Educational Technology State Grants Cluster			<u>38,895</u>
Adult Education – Basic Grants to States	84.002	V02A110047;V002A100047	1,028,918
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	S013A110046	32,248
Career and Technical Education - Basic Grants to States	84.048	V048A120046;V048A110046	693,293
Twenty-First Century Learning Centers	84.287	S287C100047;S287C110047	33,892
English Language Acquisition Grants	84.365	S365A100046;S365A110046	72,419
Improving Teacher Quality State Grants	84.367	S367A1210044;S367A100044;S364A110044	2,127,873
Striving Readers	84.371	S371A090000;S371A100001	27,980
School Improvement Grants, ARRA	84.388	S388A0900047	2,021,522
Passed Through National Board for Professional Teaching Standards:			
Teacher Incentive Fund	84.374	S374A100029	1,408,620
Passed Through the College of William and Mary:			
Educational for Homeless Children and Youth	84.196	G123-12;G123-13	110,505
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<b>40,269,145</b>

**CITY OF RICHMOND, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*FOR THE YEAR ENDED JUNE 30, 2013*

<b>Federal Grantor/Pass Through Grantor/Program Title Pass Through Grantors' Number</b>	<b>Federal CFDA Number</b>	<b>Federal / Pass Through Grantor Number</b>	<b>2013 Federal Expenditures</b>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>			
Direct Payments:			
Sustance Abuse and Mental Health Services	93.243	5H79TI023413-02; 5H79TI023413-03	\$ 210,546
Head Start	93.600	03CH0173/29;03CH0173/28	7,262,256
Healthy Start Initiative	93.926	H494MC00124	852,601
Passed Through Virginia Department of Social Services:			
Child Care and Development Block Grant	93.575		(10,251)
Child Care Mandatory of the Child Care and Development Fund	93.596		789,394
Total CCFD Cluster			<u>779,143</u>
Promoting Safe and Stable Families	93.556		123,576
Temporary Assistance for Needy Families	93.558	FAM-12-084-28	4,964,164
Refugee and Entrant Assistance - State Administered Programs	93.566		25,528
Low-Income Home Energy Assistance	93.568		364,496
Chafee Education and Training Vouchers Program (ETV)	93.599		34,136
Stephanie Tubbs Jones Child Welfare Services Program	93.645		33,088
Foster Care - Title IV - E	93.658		2,779,885
Adoption Assistance	93.659		2,637,273
Social Services Block Grant	93.667		3,517,696
Chafee Foster Care Independence Program	93.674		46,232
Children's Health Insurance Program	93.767		82,802
Medical Assistance Program	93.778		2,112,583
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>25,826,005</b>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:</b>			
Passed Through Virginia Department of Social Services:			
Ameri Corps	94.006	CVS-12-043-05	42,845
<b>TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			<b>42,845</b>

**CITY OF RICHMOND, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*FOR THE YEAR ENDED JUNE 30, 2013*

<b>Federal Grantor/Pass Through Grantor/Program Title Pass Through Grantors' Number</b>	<b>Federal CFDA Number</b>	<b>Federal / Pass Through Grantor Number</b>	<b>2013 Federal Expenditures</b>
<b>DEPARTMENT OF HOMELAND SECURITY</b>			
Direct Payments:			
Assistance to Firefighters	97.044	EMW-2011-FP-00523	\$ 33,600
Emergency Operations Centers	97.052	2009-EO-MX-0020	501,381
Port Security Grant Program	97.056	2009-PU-T9-0156; 2010-PU-T0-0093	876,366
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2009-FH-00896	548,974
Assistance to Firefighters Grant, ARRA	97.115	EMW-2009-FC-03949R	156,779
Passed Through Virginia Department of Health:			
Metropolitan Medical Response System (MMRS)	97.071	2011MMRS	44,597
Passed Through Virginia Department of Emergency Management:			
Homeland Security Grant Program	97.067	2009MMRS; 2010MMRS	555,444
Disaster Grants - Public Assistance	97.036	380649 TS ERNESTO; 760-UEVXE-00	59,677
Emergency Management Performance Grant	97.042	2009LEMPG; 2010LEMPG; 2013LEMPG	70,420
State Homeland Security Program Grant	97.073	2012SHSP	28,990
<b>TOTAL DEPARTMENT OF HOMELAND SECURITY</b>			<b>2,876,228</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 115,072,962</b>

# CITY OF RICHMOND, VIRGINIA

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2013

### Note 1—Basis of presentation

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial programs of the City of Richmond, Virginia, the Primary Government, and Richmond City Public Schools, a discretely presented component unit (collectively, the "City"). The schedule of expenditures of federal awards is presented on the modified accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

### Note 2—Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows:

<u>Program Title</u>	<b>CFDA</b>	
	<u>Number</u>	<u>Subrecipients</u>
Community Development Block Grants/Entitlement Grants	14.218	\$ 1,058,785
Emergency Shelter Grant	14.231	267,765
Home Investment Partnerships Program	14.239	1,545,593
Housing Opportunities for Person with AIDS	14.241	727,601
Juvenile Justice and Delinquency Prevention-Allocation to States	16.540	30,046
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	56,632
Total Subrecipient Reimbursements		<u>\$ 3,686,422</u>

### Note 3—Loans outstanding

The City had the following loan balances outstanding at June 30, 2013.

<u>Program Title</u>	<b>CFDA</b>	
	<u>Number</u>	<u>Amount Outstanding</u>
Section 108	14.248	\$ 11,255,000
Virginia Resources Authority Loan	66.458	50,986,732
Virginia Resources Authority Loan	66.468	173,030
		<u>\$ 62,414,762</u>

# CITY OF RICHMOND, VIRGINIA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2013

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### (1) Summary of Auditor's Results

- a. The type of report issued on the financial statements: **Unmodified opinion**
- b. Significant deficiencies in internal control disclosed by the audit of the financial statements: **No**
- c. Material weakness in internal control disclosed by the audit of the financial statements: **Yes; Findings 2013-1 and 2013-2**
- d. Noncompliance which is material to the financial statements: **None reported**
- e. Significant deficiencies in internal control over major programs: **Yes; Finding 2013-6**
- f. Material weakness in internal control over major programs: **Yes; Findings 2013-3, 2013-4, and 2013-5**
- g. The type of report issued on compliance for major programs:

**Qualified opinion due to scope limitation** regarding eligibility of the Temporary Assistance for Needy Families (CFDA Number 93.558), Medical Assistance Program (CFDA Number 93.778), and Child Care and Development Fund Cluster (CFDA Numbers 93.575 and 93.596).

**Unmodified opinions** over other applicable compliance requirements for all other major programs.

- h. Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: **Yes**
- i. Major programs:
  - Title I, Part A Cluster (CFDA Number 84.010)
  - Special Education Cluster (IDEA) (CFDA Numbers 84.027 and 84.173)
  - Child Care and Development Fund Cluster (CFDA Numbers 93.575 and 93.596)
  - Social Services Block Grant (CFDA Number 93.667)
  - Medical Assistance Program (CFDA Number 93.778)
  - Temporary Assistance for Needy Families (CFDA Number 93.558)
  - Child Nutrition Cluster (CFDA Numbers 10.553, 10.555 and 10.559)
  - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA Number 10.561)
  - School Improvement Grants, Recovery Act (CFDA Number 84.388)
- j. Dollar threshold used to distinguish between Type A and Type B programs: **\$3,000,000**
- k. Auditee qualified as low-risk auditee under Section 530 of OMB Circular A-133: **No**



# CITY OF RICHMOND, VIRGINIA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2013

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### (2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

#### 2013-1: Internal control over Financial Reporting – Capital Assets

**Criteria:** In order to prepare financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), accurate and complete subsidiary records must be maintained to support the existence and valuation of all assets and liabilities, revenues and expenditures/expenses to ensure an accurate presentation of the financial position of the City at year end.

**Condition and Effect:** Yearly, the City's Finance Department oversees the preparation, processing and recordation of tens of thousands of financial transactions that ultimately will be reflected in the yearly Comprehensive Annual Financial Report (CAFR), which is also produced by the Finance Department. In order to ensure the transactions are fairly presented, procedures must be in place and functioning effectively to ensure the financial information is complete and accurate. During the year end closing and the CAFR audit process, errors related to prior fiscal years were identified by City Finance Department management and Cherry Bekaert. Consequently, the City has restated its governmental activities' and Fleet Management Fund's beginning net position for the following:

- After an extensive review of governmental Construction in Process (CIP) assets, the City noted multiple project balances that had been capitalized in prior years inconsistent with GAAP (e.g., repairs and maintenance activities, costs incurred that didn't relate to the development of a capital asset or assets recorded as both CIP and a depreciable capital asset). As a result of the City's review procedures, a reduction of \$65,285,344 to the beginning balance of the governmental activities' CIP assets and net position was recorded.
- The City identified capital assets recorded in prior years as governmental expenditures but were not capitalized as a capital asset at the government wide level. These items were corrected by increasing the beginning balances of their respective capital asset categories (buildings - \$2,073,148 and equipment - \$1,237,072) as of June 30, 2102. Accumulated depreciation for these categories was also corrected by increasing their respective balances (buildings - \$979,740 and equipment - \$133,708).
- The City identified it had incorrectly capitalized \$23,273,109, net, of improvements to the Carpenter Center even though the facility had been leased to another organization under capital leasing terms. Under GAAP, the City should have reported the assets as if it had relinquished ownership and removed the assets from the general ledger.
- To effectively implement an Internal Audit department recommendation, the City converted all vehicle information reported within the Fleet Management internal service fund's asset inventory system over to the City's financial reporting system. During conversion, it was noted certain assets listed in the legacy system were lower than the related financial statements balance by \$2,870,397. Additionally, accumulated depreciation recalculated within the new system was \$3,171,991 under depreciated.

# CITY OF RICHMOND, VIRGINIA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2013

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**Cause:** Internal control processes were not in place to monitor related account activities to ensure the existence and appropriateness of assets capitalized as Construction in Progress and their complete and accurate reporting in the CAFR.

**Recommendation:** We recommend that the City:

- Strengthen its processes for managing the subsidiary ledger detail listing of CIP to ensure that it properly supports capital asset balances reported in the financial statements.
- 
- Procedures should be developed and implemented requiring an at least twice-yearly review of CIP activity to ensure the projects are still active and that the costs incurred are capitalizable.
- Procedures should include the review of activity within the projects to ensure that they are recategorized timely to a depreciable asset when the project has closed and this review should incorporate personnel from the Finance Department, the Department of Public Works and any other associated departments (e.g., Public Schools, if schools are involved).
- The results of all reviews should be documented to memorialize facts noted and decisions made.
- Consider the identification, hiring and retaining of experienced accountants as a mission critical objective of the Finance Department and the City. As noted earlier, the lack of monitoring of the CIP activity directly impacted the existence of the errors previously discovered. Over the years, the City has struggled to hire and retain experienced accountants within the Finance Department. In fact, the interim nature of the Finance Director and the departures since year end of the Assistant Controller, the General Accounting Manager, and several other managers during the year are examples of those struggles to address vacancies with the skill sets needed. It is highly recommended that the City hire Certified Public Accountants in key management positions within the Finance Department and strive to maintain a minimum of five such designations in the department. Additionally, a structured cross training program should be implemented within Finance's operational components (e.g., general accounting, accounts payable) aimed at expanding the skill set of the Finance team to be utilized in times of staff turnover or increased needs in a particular area.

**Views of Responsible Officials:** City concurs with the recommendation set forth by CB and continues with a recruitment and hiring plan to attract individuals with the requisite skills and credentials for all finance positions.

### 2013-2: Internal Controls over Financial Reporting – Report Preparation and Review

**Criteria:** The City's CAFR is a large and complex report comprised of three sections with multiple statements, schedules, notes and tables, all of which must agree and reconcile not only with the general ledger but also internally within the CAFR. As the CAFR is the City's main mechanism for sharing financial results with the myriad of its users (e.g., citizens, investors), this document must have the City's full attention from preparation to printing to ensure the City's financial story is accurately portrayed. Yearly, this requires hundreds of hours of effort by multiple Finance personnel. As a best practice, this effort should encompass multiple layers of CAFR review by City personnel to reduce the risk of misstatements in financial reporting due to error or omission.

# CITY OF RICHMOND, VIRGINIA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2013

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**Condition:** During the course of our CAFR review, it was evident that the City did not have a process in place for the detail review of the draft CAFR prior to providing the report to us for our review. This resulted in over a half-dozen versions being reviewed to identify and correct financial reporting errors that should have been caught and corrected prior to submission to the auditors for review.

**Cause:** The Finance Department currently lacks the technical critical mass to effectively and efficiently prepare the CAFR.

**Effect:** The CAFR review monitoring control did not function as it should, leading to the inefficient use of Finance personnel and hours that could be better served in other Finance operations.

**Recommendation:** Consistent with our recommendation to deficiency 2013-1, once key finance positions are filled with permanent replacements, we recommend that management review current policies and control procedures over CAFR preparation to ensure adequate reviews are performed that will result in accurate financial statements at year end and compliance with GAAP.

**Views of Responsible Officials:** City concurs with the recommendation and will continue the review and rewrite of the policies and procedures for preparation of the CAFR and the financial reporting process at large.

### (3) Findings and Questioned Costs Relating to Federal Awards

#### 2013-3: Compliance Scope Limitation and Material Weakness: Eligibility (repeat circumstance from finding 2012-1)

**Program:** Temporary Assistance for Needy Families (CFDA Number 93.558 - U.S. Department of Health and Human Services - Virginia Department of Social Services; Federal Award Number: FAM-12-084-28; Federal Award Year: 2013)

**Condition:** Of the 60 participants selected for testing, seven files had been transferred to other Virginia localities due to participant relocations. Of the 53 remaining participant files, the following exceptions were noted:

- Five participant files could not be located for our review.
- Forty-eight of forty-eight participant files available for review retained no physical evidence (e.g., Case Reading Sheet) of required supervisory review.
- Twelve of forty-eight participant files available for review were missing one or more of the required forms (e.g., Notice of Personal Responsibility {10 forms}, Notice of Cooperation and Good Cause {7 forms}, Do You Have a Disability {6 forms}, and Notice of Intentional Program Violations and Penalties {7 forms}).
- Sixteen of forty-eight participant files available for review were missing a case worker signature prior to case approval on one or more of the required forms (e.g., Notice of Personal Responsibility {3 forms}, Notice of Cooperation and Good Cause {6 forms}, Do You Have a Disability {14 forms}, and Notice of Intentional Program Violations and Penalties {3 forms}).
- For ten case files reviewed, a decision was not rendered on the application by the 30<sup>th</sup> calendar day following the application filing date, and/or the required Notice of Action form was not present.

**Criteria:** Per CFR Section 260.31 (a), participants in the Temporary Assistance for Needy Families program must meet specified eligibility criteria to receive program assistance.

# CITY OF RICHMOND, VIRGINIA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2013

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**Cause:** A lack of functioning controls over participant documentation retention as City Social Service personnel did not follow City approval procedures and documentation policies.

**Effect:** The City's scope limitation prevents the determination on compliance, which may result in costs disallowed by the grantor or reduced future funding for this program.

**Questioned Cost:** Undeterminable due to a scope limitation.

**Recommendation:** The City should implement a corrective action plan aimed at enhancing internal controls related to participant eligibility to ensure that accurate and complete documentation supporting all participant intake information is prepared and maintained, in accordance with City and federal record retention requirements.

### Views of Responsible Officials:

- **Contact Person:** Shawniece Moore, Patrice Carpenter, Debbie Hinton, Becky China
- **Corrective Action and Anticipated Completion Date:**
  - For missing case files, necessary documentation, and appropriate signatures, please see general corrective action plan at Appendix A.
  - The auditors found that all of the case files they reviewed were missing the Case Reading Sheet. There are two explanations for this:
    - Supervisors do not review, or “read,” all case files, so it is likely that many of the files auditors read will not contain Case Reading Sheets or evidence of a case reading in the Rushmore Case Reading System (Rushmore). Supervisors read two cases for each worker, each month. If a Supervisor supervises fewer than six workers, the supervisor reads three cases for each worker, each month. We are drafting a policy that will improve our case reading procedure (see Appendix A), but never anticipate that our Supervisors will read 100% of case files.
    - Supervisors did not keep the Case Reading Sheet for the files that they reviewed. As of April 2013, however, Supervisors have been conducting all case readings for TANF, Medicaid, and SNAP in Rushmore and do not need to retain paper copies of the Case Reading Sheet. During the next audit, the auditors may request the Case Reading Sheets for the sample and we will print copies from Rushmore.
  - The auditors found that workers did not render a decision on the application before the deadline date. To address this issue we are in the process of:
    - Hiring additional administrative staff. With additional administrative support, our workers will have more time to process applications. Anticipated completion date is September 2014
    - Hiring additional workers. This will decrease the caseload for our workers, helping them process applications accurately and on time. Anticipated completion date is ongoing.
    - Using Intensive Case Managers (ICMs) to assist intake workers. Currently, nine ICMs are helping our intake staff process applications to ensure that we are able to meet our deadlines. This was in effect as of July 21, 2014.

# CITY OF RICHMOND, VIRGINIA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2013

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### **2013-4: Compliance Scope Limitation and Material Weakness: Eligibility (repeat circumstance from finding 2012-2)**

**Program:** Medical Assistance Program (CFDA Number 93.778 - U.S. Department of Health and Human Services - Virginia Department of Social Services; Federal Award Number: not available; Federal Award Year: 2013)

**Condition:** Of the 60 participants selected for testing, the following exceptions were noted:

- Two participant case files could not be provided for review.
- One participant case file did not contain a completed application signed by an adult household member or authorized representative.
- Nine participant case files were missing valid identification and/or Social Security Number documentation to establish citizenship.
- Two case files did not include evidence of worker review and certification of initial eligibility determination/redetermination.

**Criteria:** Per the 42 CFR sections 435.907, 435.910, 435.913, 435.916 and 435.920, participants in the Medicaid program must meet specified eligibility criteria to receive program assistance. For participants in the program longer than one year, a redetermination of eligibility is required to be performed at least every 12 months.

**Cause:** A lack of functioning controls over participant documentation retention as City Social Service personnel did not follow City approval procedures and documentation policies.

**Effect:** The City's scope limitation prevents the determination on compliance, which may result in costs disallowed by the grantor or reduced future funding for this program.

**Questioned Cost:** Undeterminable due to a scope limitation.

**Recommendation:** The City should implement a corrective action plan aimed at enhancing internal controls related to participant eligibility to ensure that accurate and complete documentation supporting all participant intake information is prepared and maintained, in accordance with City and federal record retention requirements.

#### **Views of Responsible Officials:**

- **Contact Person:** Shawniece Moore, Patrice Carpenter, Debbie Hinton, Becky China
- **Corrective Action:** For missing case files, necessary documentation, and appropriate signatures, please see our general Corrective Action Plan at Appendix A.
- **Anticipated Completion Date:** See Appendix A.

### **2013-5: Compliance Scope Limitation and Material Weakness: Eligibility (repeat circumstance from finding 2012-3)**

**Program:** Child Care and Development Fund Cluster (CFDA Number 93.575 and 93.596 - U.S. Department of Health and Human Services - Virginia Department of Social Services; Federal Award Number: not available; Federal Award Year: 2013)

# CITY OF RICHMOND, VIRGINIA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2013

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**Condition:** Of the 60 participants selected for testing, the following exceptions were noted:

- Three participant files could not be located for our review.
- Fifty-seven of fifty-seven participant files available for review retained no physical evidence (e.g., Case Reading Sheet) of required supervisory review.
- Two participant files contained Notice of Awards issued more than 30 days after the application was received.
- Two participant files contained Purchase of Service Orders that were issued more than 30 days after the application was received

**Criteria:** Per the 45 CFR Section 98.30 (a) and 98.80 (f), children must be under age 13 (or up to age 19, if incapable of self-care or under court supervision), who reside with a family whose income does not exceed 85 percent of state/territorial/tribal median income for a family of the same size, and reside with a parent (or parents) who is working or attending a job-training or education program; or are in need of, or are receiving, protective services. Lead Agencies shall establish a sliding fee scale, based on family size, income, and other appropriate factors, that provides for cost sharing by families that receive CCDF child care services. Lead Agencies may exempt families below the poverty line from making copayments and shall establish a payment rate schedule for child care providers caring for subsidized children.

**Cause:** A lack of functioning controls over participant documentation retention as City Social Service personnel did not follow City approval procedures and documentation policies.

**Effect:** The City's scope limitation prevents the determination on compliance, which may result in costs disallowed by the grantor or reduced future funding for this program.

**Questioned Cost:** Undeterminable due to a scope limitation.

**Recommendation:** The City should implement a corrective action plan aimed at enhancing internal controls related to participant eligibility to ensure that accurate and complete documentation supporting all participant intake information is prepared and maintained, in accordance with City and federal record retention requirements.

### Views of Responsible Officials:

- **Contact Person:** Shawniece Moore, Patrice Carpenter, Debbie Hinton, Becky China
- **Corrective Action and Anticipated Completion Date:** For missing case files, please see our general CAP at Appendix A.
  - The auditors found that all of the case files they reviewed were missing the Case Reading Sheet. There are two explanations for this:
    - Supervisors do not read all case files, so it is likely that many of the files auditors read will not contain Case Reading Sheets. Supervisors read two cases for each worker, each month. If a Supervisor supervises fewer than six workers, the supervisor reads three cases for each worker, each month. We are in the process of drafting a policy that will improve our case reading procedure (see Appendix A), but never anticipate that our Supervisors will read 100% of case files.

# CITY OF RICHMOND, VIRGINIA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2013

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- Supervisors did not keep the Case Reading Sheet for the files that they read. Because Child Care does not use Rushmore, Child Care Supervisors are now retaining Case Reading Sheets for two years so that they will be available for auditors. This retention policy will be included in the formal policy described in Appendix A. This is in effect as of July 2014.
- The auditors found that workers did not render a decision on the application before the deadline date. To address this issue we are in the process of hiring additional workers. This will decrease the caseload for our workers, helping them process applications accurately and on time. Anticipated completion date is ongoing.

### 2013-6 Non Compliance and Significant Deficiency: Title I Application

**Program:** Title I Grant to Local Educational Agencies (CFDA Number 84.010 - U.S. Department of Education - Virginia Department of Education; Federal Award Numbers: S010A100046, S010A110046, S040A120046, 123-S010A090046; Federal Award Year: 2013)

**Condition:** The City of Richmond Public Schools (School Board) did not retain a copy of the grant application signed and approved by the Superintendent and the School Board, which is inconsistent with grantor requirements.

**Criteria:** Per Virginia Department of Education guidelines, "the application cover page, signed by the division superintendent and the local school board chairperson, should be retained and filed at the division level."

**Cause:** A lack of functioning controls over retention of the approved Title I application.

**Effect:** Lack of evidence of the required review and approval of the Title I application may result in costs disallowed by the grantor or reduced future funding for this program.

**Questioned Cost:** Undeterminable.

**Recommendation:** The City of Richmond Public Schools should emphasize compliance with existing internal controls to ensure that the required approved application is retained for inspection consistent with grantor requirements and for a period consistent with applicable record retention policies.

### Views of Responsible Officials:

- **Contact Person:** Dr. Ernestine H. Scott
- **Corrective Action:** The Title I application cover page will be signed and filed as required under federal guidance. The Title I Director will secure signatures from the School Board Chair and the Superintendent once the School Board has approved the application.
- **Anticipated Completion Date:** In effect as of June 30, 2014. The Title I Director has obtained the signatures from the School Board Chair and the Superintendent as required on the cover page of the 2014-2015 Title I application.

# CITY OF RICHMOND, VIRGINIA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2013

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### (4) Findings and Questioned Costs Relating to Compliance with Commonwealth of Virginia Laws, Regulations, Contracts, and Grants

#### 2013-7: Social Services System Access

**Condition:** For a sample of five employees separated during the year and who were granted social services' system access privileges, all five employees' systems access was not removed within three days of their separation date.

**Criteria:** Per Section 15.2-2511 of the Code of Virginia, when an employee separates from the local social services department, his or her access privileges must be immediately removed from all systems that they were authorized to use.

**Cause:** Termination dates were not reported to the individual responsible for removing system access privileges in a timely manner.

**Effect:** Non-compliance may result in unauthorized individuals having system access.

**Recommendation:** The City should implement corrective action aimed at enhancing internal controls related to the communication of the separation of social services employees to ensure that system access privileges of separated employees are removed immediately.

#### Views of Responsible Officials:

- **Contact Person:** Kendra Turner, Mary Sharp, Robert Moody
- **Corrective Action:** After reviewing our internal process, we determined that the delay in removing separated employees' access to VDSS systems is caused by weak communication between the employees' Supervisors, HR, and Technical Support. Sometimes, HR and Technical Support do not receive notice that employees' are separating from RDSS until too late to meet the three day deadline to remove access to VDSS systems. To address this issue:
  - HR will send out a reminder email twice each year to all Supervisors regarding how and when to submit the Employee Separation forms, emphasizing that Supervisors should complete and submit the forms as soon as possible.
  - As soon as HR learns of an upcoming retirement, resignation, or dismissal, they will send an email to the DSS – Employee MAC email group, which includes members of Technical Support. After receiving the email, Technical Support staff will immediately prepare to either terminate the employee's access or submit a request to VDSS to terminate the employee's access.
  - After HR receives a Separation Checklist from a Supervisor, HR will send another email to the DSS – Employee MAC email group, confirming the employee's separation. Technical Support staff will then take any final steps necessary to terminate the employee's access to VDSS systems after his or her last day of employment.
  - HR will describe this process in the HR Booklet for DSS Supervisors that they are drafting to improve communication between Supervisors and HR.
- **Anticipated Completion Date:** In effect as of July 21, 2014.



# CITY OF RICHMOND, VIRGINIA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2013

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### 2013-8: Social Services Acceptable Use Awareness Acknowledgment Form

**Condition:** For a sample of ten employees selected for testing, two employees did not have a current year Information Security Program and Acceptable Use Awareness Acknowledgement Form on file.

**Criteria:** Per Section 3-15 of the *Specifications for Audits of Counties, Cities, and Towns*, published by the Commonwealth's Auditor of Public Accounts, "In October 2012 via Agency Broadcast #7640 each local department employee was instructed to read the 2012 VDSS Information Security Program and sign the Information Security Program and Acceptable Use Awareness Acknowledgment Form no later than close of business November 30, 2012."

**Cause:** Information Security Program and Acceptable Use Awareness Acknowledgment forms were not properly retained by the City.

**Effect:** Non-compliance with Commonwealth's requirements may result in state sanctions.

**Recommendation:** The City should implement corrective action aimed at enhancing internal controls to ensure that required Information Security Program and Acceptable Use Awareness Acknowledgement Forms are signed by department employees and properly retained.

#### Views of Responsible Officials:

- **Contact Person:** Angelia Yancey, Robert Moody
- **Corrective Action:** To make sure that all employees are aware of RDSS's security policies and sign the Acceptable Use Awareness Acknowledgment Form:
  - To make sure all new hires sign the form, we have modified our on-boarding process to include a security lecture on the first day of employment. At the end of the lecture, we provide either a copy of the Acceptable Use Awareness Acknowledgment Form or the link to the form. New hires must read the security policies and sign the form within 30 days of employment. We will not grant new employees access to VDSS systems until the form is on file. We will use automated reminders to help Local Security Officer (LSO) staff remember when a new hire has been with RDSS for 30 days so that they can ensure the employee has completed the form prior to the due date.
  - To make sure all other staff signs the form, HR will send the LSO a list of all agency employees. After RDSS staff is notified by state broadcast or e-mail from the Chief Information Security Officer, the LSO will compare the list of agency employees to the forms on file to make sure that all employees have submitted the form. If an employee does not have a form on file by the deadline, we will suspend state system for the employee until the employee completes the form. The LSO will store an electronic copy of the list of all agency employees and the list of forms on file to be used during audits.
  - As of May 29, 2014, VDSS requires the Information Security Program and Acceptable Use Awareness Acknowledgement form to be signed by hand and then submitted electronically. To comply with this requirement, we will tell our staff to send their signed form via e-mail to the DSS Technical Support Help Desk distribution list in Microsoft Outlook for filing. The LSO will receive the form and store it electronically.
- **Anticipated Completion Date:** In effect as of July 21, 2014.

# CITY OF RICHMOND, VIRGINIA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2013

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### 2013-9: Virginia's Initiative for Employment not Welfare (VIEW) Purchased Services

**Condition:** For a sample of twenty-five VIEW purchased service transactions selected for testing, one VIEW case file could not be located.

**Criteria:** Per Section 3-15 of the *Specifications for Audits of Counties, Cities, and Towns*, published by the Commonwealth's Auditor of Public Accounts, VIEW purchased service transactions must be in accordance with policy and based on individual VIEW participants Activity and Service Plan.

**Cause:** A lack of functioning controls over participant documentation retention as City Social Service personnel did not follow City approval procedures and documentation policies.

**Effect:** The City's inability to provide documentation supporting all participants' eligibility may result in costs disallowed by the grantor or state sanctions.

**Recommendation:** The City should implement a corrective action plan aimed at enhancing internal controls related to participant eligibility to ensure that accurate and complete documentation supporting all participant intake information is prepared and maintained, in accordance with City and federal record retention requirements.

#### Views of Responsible Officials:

- **Contact Person:** Shawniece Moore, Patrice Carpenter, Debbie Hinton, Becky China
- **Corrective Action:** See Appendix A
- **Anticipated Completion Date:** See Appendix A

**CITY OF RICHMOND, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

*YEAR ENDED JUNE 30, 2013*

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**Appendix A**

**Case Management Corrective Action Plan**

Reviewing the results of this audit and the FY12 audit reveal recurring problems with the way RDSS manages case files.

<b>Issue</b>	<b>FY12 Citations</b>	<b>FY13 Citations</b>
Missing Case File	2012-2 and 2012-3	2013-3, 2013-4, 2013-5, and 2013-9
Missing Documentation	2012-1, 2012-2, 2012-3	2013-3 and 2013-4

Case files may be missing for several reasons. First, we do not have one central repository for all of our records. Currently, we have case records stored at each of our three locations as well as in an off-site storage facility. Second, our filing systems at two locations are disorganized. Third, our staff, overwhelmed by large caseloads and disorganized filing systems, fails to reliably store case records in the appropriate location.

Case files are missing documentation for several reasons. First, if a worker struggles to find a case file for an existing client, they may create a second case file. If two files exist for a single client, it is possible that one case file has some of the necessary documents and another case file has the remaining documents. Similarly, the duplicate file may contain documents with the appropriate signatures, while the original file contains incomplete documents. Second, workers do not consistently check their case files to make sure they have the required documentation. Third, supervisors do not consistently check their workers' case files for completeness. Fourth, we do not do a good job of auditing our case files on a regular basis to monitor them for completeness. Fifth, although we created a reference guide listing necessary documentation in 2010, it could be easier to use. Additionally, we need to monitor workers to make sure they are using the guide consistently.

The following Corrective Action Plan addresses the issues described above. It contains both short term solutions that will help us manage our case files in the next few months and a long term solution that will help us manage our case files in the next year.

**I. Case File Clean-up Project**

We are in the process of hiring two people to organize the case file storage system at our Southside and East End locations. At each location, they will:

- a. Create one, alphabetized filing system for the location.
- b. Combine duplicate case files.
- c. Find any case files that are not currently in file cabinets file them appropriately.

By consolidating duplicate files, we will hopefully reduce the number of documents that appear to be missing when examining one case file, but that are actually stored in a second, duplicative case file for the client. By organizing our files into one large alphabetized system in each location, we will reduce the number of duplicate files created by our workers.

**Anticipated Completion Date:** December 31, 2014

# **CITY OF RICHMOND, VIRGINIA**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

*YEAR ENDED JUNE 30, 2013*

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### **II. Additional Administrative Staff**

We are in the process of polling each unit to ask if they could use administrative support for mailings, maintaining case records, and filing case files. We anticipate adding several new administrative workers to help our staff manage case files and also give them more free time to process benefit applications, interact with clients, and audit case files.

**Anticipated Completion Date:** October 2014

### **III. Improved Required Documentation Reference Guide**

We developed a reference guide in 2010 listing all required documentation for SNAP, TANF, and Medicaid and emphasized its usefulness to our staff response to the FY12 audit. However, the FY13 audit revealed that we still have major problems making sure all required documentation is in the case file. We are in the process of developing a new Required Documentation Checklist (template at Appendix B). The new checklist will require case workers and supervisors reading the case to sign their initials next to every necessary document. The checklist will also identify which documents must be signed by the client or by the worker to ensure each document has the proper signatures. We will train our workers to include the checklist in every case file that they build. Supervisors and case readers will check all new files to make sure workers are including the checklist and using it properly.

**Anticipated Completion Date:** September 2014

### **IV. Supervisor Case Reading Policy**

It is our current practice for Supervisors to read two cases for each worker, each month unless the Supervisor supervises fewer than six workers in which case the supervisor will read three cases per worker, per month. We are working with the newly formed Policy Team at RDSS to formalize this practice in a written policy. We will train our Supervisors and workers on this policy to ensure compliance. The policy will also address the following items.

- a. In the past, workers have chosen which cases their supervisor will read. Moving forward, Supervisors will read cases randomly. They will check carefully to ensure that:
  - i. The case file is properly filed.
  - ii. The case file contains all necessary documentation.
  - iii. All documentation in the case file has the necessary signatures.
  - iv. The case file contains a completed checklist (template at Appendix B).
- b. Child Care case readers will retain Case Reading Sheets for two years.
- c. Workers will complete a twice yearly case audit to read their own case files. Supervisors will monitor workers' compliance with this requirement.

**Anticipated Completion Date:** August 2014

# **CITY OF RICHMOND, VIRGINIA**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

*YEAR ENDED JUNE 30, 2013*

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### **V. Using State Case Reading Results**

Currently, we have case readers from VDSS stationed at RDSS to read case files. To date, we have used their findings to correct case files, but not to monitor employee performance. Going forward, we will use data from state case readings when completing annual performance evaluations for employees. Supervisors will also use the data during regular performance meetings with their employees to address weaknesses in their practices.

**Anticipated Completion Date:** August 2014

### **VI. Electronic Document Management System (EDMS)**

Even though we are optimistic that the short term solutions listed above will help us manage our case files, we still expect imperfection because of the huge number of files, the large worker caseloads, and the fact that our files are spread out among three different locations. To truly improve, we must reduce our reliance on paper records. RDSS has a new team focused on implementing an Electronic Document Management System (EDMS) that will digitize all of our paper files. This system will accomplish many things, including:

- a. Making records available online. All documents will be accessible through an electronic database. Employees will be able to quickly access case files without leaving their desks. They will be able to search the database using client information to find the file they need.
- b. Reducing the number of paper files. Documents that we do not need to maintain in hardcopy will be destroyed. This will save RDSS space and allow us to store all documents in our own facilities instead of using off-site storage.
- c. Eliminating duplicate files and documents. The EDMS will flag duplicate documents within a case file and duplicate case files within the database. This will reduce the volume of documents that we need to store and prevent the confusion of having multiple case files and identical documents for the same person.
- d. Making it more difficult to misplace files. For the documents that must remain in hard copy, EDMS will tag the documents with a barcode that links them to their case file and the client's name. Employees will have to "check out" hardcopy files using their employee identification badge. If a hardcopy file is missing, EDMS staff will be able to tell who last touched the file.

**Anticipated Completion Date:** June 2015

# CITY OF RICHMOND, VIRGINIA

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2013

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### 2012-1: Material Non Compliance and Material Weakness: Eligibility

**Program:** Temporary Assistance for Needy Families (CFDA Number 93.558 - U.S. Department of Health and Human Services - Virginia Department of Social Services; Federal Award Number: SVC-07-070-32; Federal Award Year: 2012)

**Condition:** Of the 60 participants selected for testing, the following exceptions were noted:

- Thirteen case files were missing one or more of the required forms (e.g., Notice of Personal Responsibility {9 forms}, Notice of Cooperation and Good Cause {11 forms}, Do You Have a Disability {13 forms}, and Notice of Intentional Program Violations and Penalties {10 forms}).
- Thirteen case files were missing a case worker signature prior to case approval on one or more of the required forms (e.g., Notice of Personal Responsibility {5 forms}, Notice of Cooperation and Good Cause {4 forms}, Do You Have a Disability {9 forms}, and Notice of Intentional Program Violations and Penalties {2 forms}).
- Two case files were missing applicant's signature on one or more of the required forms (e.g., Do You Have a Disability {1 form} and Notice of Intentional Program Violations and Penalties {1 form}).
- Sixteen case files were missing one of the following forms: Application for Benefits {4 forms}, Request for Assistance {4 forms}, ADAPT Statement of Facts {4 forms}, Notice of Action {10 forms}.
- Four case files were missing case worker and applicant signature. Additionally, a decision was not rendered on the application by the 30th calendar day following the application filing date for one participant.
- One case file was missing proper documentation of United States citizenship or alien eligibility.
- One case file was missing proper documentation to support the participant's age eligibility for the program.

**Criteria:** Per CFR Section 260.31 (a), participants in the Temporary Assistance for Needy Families program must meet specified eligibility criteria to receive program assistance.

**Resolution:** Similar program findings were noted in 2013 and reported in the schedule of findings and questioned costs as findings 2013-3

### 2012-2: Material Non Compliance and Material Weakness: Eligibility

**Program:** Medical Assistance Program (CFDA Number 93.778 - U.S. Department of Health and Human Services - Virginia Department of Social Services; Federal Award Number Number: not available; Federal Award Year: 2012)

**Condition:** Of the 60 participants selected for testing, the following exceptions were noted:

- For 56 participants, the required eligibility redeterminations had not been performed within 12 months since the previous determination.
- Four participant case files could not be provided for review.
- Six participant case files did not contain a completed application signed by an adult household member or authorized representative.
- Five participant case files were missing valid identification to establish citizenship.
- Seven participant case files were missing proper Social Security Number documentation.
- Five participant cases were missing proper income verification.

# CITY OF RICHMOND, VIRGINIA

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2013

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**Criteria:** Per the 42 CFR sections 435.907, 435.910, 435.913, 435.916 and 435.920, participants in the Medicaid program must meet specified eligibility criteria to receive program assistance. For participants in the program longer than one year, a redetermination of eligibility is required to be performed at least every 12 months.

**Resolution:** Similar program findings were noted in 2013 and reported in the schedule of findings and questioned costs as finding 2013-4.

### **2012-3: Material Non Compliance and Material Weakness: Eligibility**

**Program:** Child Care and Development Fund Cluster (CFDA Number 93.575 and 93.596 - U.S. Department of Health and Human Services - Virginia Department of Social Services; Federal Award Number: not available; Federal Award Year: 2012)

**Condition:** Of the 60 participants selected for testing, the following exceptions were noted:

- Four participant case files could not be provided for review.
- Three participant files were missing state income eligibility documentation.
- Two participant files were missing the mandatory 12 month income and eligibility review and verification to ensure recipient remains eligible for benefits.
- One participant file was missing proper eligibility documentation (i.e., parents are attending one of the following: work, job training, or education program) for the program.

**Criteria:** Per the 45 CFR Section 98.30 (a) and 98.80 (f), children must be under age 13 (or up to age 19, if incapable of self-care or under court supervision), who reside with a family whose income does not exceed 85 percent of state/territorial/tribal median income for a family of the same size, and reside with a parent (or parents) who is working or attending a job-training or education program; or are in need of, or are receiving, protective services. Lead Agencies shall establish a sliding fee scale, based on family size, income, and other appropriate factors, that provides for cost sharing by families that receive CCDF child care services. Lead Agencies may exempt families below the poverty line from making copayments and shall establish a payment rate schedule for child care providers caring for subsidized children.

**Resolution:** Similar program findings were noted in 2013 and reported in the schedule of findings and questioned costs as finding 2013-5.

### **2012-4: Material Weakness: Allowable Costs**

**Program:** Child Care and Development Fund Cluster (CFDA Number 93.575 and 93.596 - U.S. Department of Health and Human Services - Virginia Department of Social Services; Federal Award Number: not available; Federal Award Year: 2012)

**Condition:** For three of 60 participants tested, program expenditures were not approved by a supervisor in accordance with City policy.

# CITY OF RICHMOND, VIRGINIA

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2013

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**Criteria:** Per 42 USC 9858C, funds may be used for child care services in the form of certificates, grants, or contracts. Funds may be used for activities that improve the quality or availability of child care services, consumer education, and parental choice. Funds may be used for any other activity that the state deems appropriate to promoting parental choice, providing comprehensive consumer education information to help parents and the public make informed choices about child care, providing child care to parents trying to achieve independence from public assistance, and implementing the health, safety, licensing, and registration standards established in state regulations. No funds may be expended through any grant or contract for child care services for any sectarian purpose or activity, including sectarian worship or instruction. With regard to services to students enrolled in grades 1 through 12, no funds may be used for services provided during the regular school day, for any services for which the students receive academic credit toward graduation, or for any instructional services that supplant or duplicate the academic program of any public or private school. Accordingly, all funds expended should be approved by City management to ensure allowability of the charge has been reviewed for grant compliance prior to payment.

**Resolution:** Corrected

### 2012-5: Material Weakness: Allowable Costs

**Program:** State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA Number 10.561 – US Department of Agriculture; Federal Award Number: not available; Federal Award Year: 2012)

**Condition:** Of the 60 participants selected for testing, the following exceptions were noted:

- One instance where the RMS (Random Moment Sample) Observation Form indicated the case worker was working on a specific case number, however the observer marked the case worker as “not present” and there was no evidence of a case worker signature on the RMS Form.
- Two instances where the RMS Observation Form was completed by the observer denoting that the employee was “not present” while the employee signed and dated the form signifying their presence.

**Criteria:** Per 7 CFR part 277, the U.S. Department of Agriculture, Food and Nutrition Services provides funding for state administration and benefits, and oversees the operation of state agencies to ensure compliance with Federal laws and regulations. Each state is required to have a system for monitoring and improving its administration of SNAP, particularly the accuracy of eligibility and benefit determinations. Based upon the Commonwealth of Virginia Department of Social Services (VDSS) Public Assistance Cost Allocation Plan, VDSS has implemented a "Random Moment Sampling" procedure to ensure that payroll expenses are properly allocated based upon case worker efforts. Each quarter the VDSS performs a random sample of employees within the system ("RMS List of Observations") for the locality and performs a random sample of the population. For each sampled case worker in the quarter, the RMS Observer documents the case worker's activities at that particular moment according to the program and activity definitions from the descriptive list accompanying the "RMS Observation Form". The RMS Observer is to observe and certify that the observation is conducted timely and that the observation form is completed accurately.

**Resolution:**  
Corrected



**CITY OF RICHMOND, VIRGINIA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

*YEAR ENDED JUNE 30, 2013*

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**2012-6: Non Material Non Compliance: Payroll Certification**

**Program:** Special Education Cluster (IDEA) (CFDA Number 84.027, 84.173, 84.391 and 84.392 – U.S. Department of Education – Virginia Department of Education; Federal Award Number: H027A090107, H027A100107, H027A110107,123-87138 H027A100107, H173A090112/H173A100112, H391A090107, H392A090112; Federal Award Year: 2012)

**Condition:** Although the City has certifications for IDEA personnel covering various periods, semiannual payroll certifications were not performed during fiscal year 2012.

**Criteria:** Per OMB Circular A-87, “where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employees.”

**Resolution:**  
Corrected