

CITY OF RICHMOND, VIRGINIA
REPORT ON SINGLE AUDIT
JUNE 30, 2020



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**CITY OF RICHMOND, VIRGINIA
TABLE OF CONTENTS
JUNE 30, 2020**

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	1
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE	3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	6
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	9
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	10



**INDEPENDENT AUDITORS' REPORT 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**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 9, 2021

Our report includes a reference to other auditors who audited the financial statements of the following discretely presented component units: Richmond School Board, Richmond Economic Development Authority, and Richmond Behavioral Health Authority. We also did not audit the financial statements of the Richmond Retirement System which was included in the aggregate remaining fund information. 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) as a basis for designing 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.

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 City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2020-001, 2020-002 and 2020-003 that we consider to be significant deficiencies.

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 financial statements. 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's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 result 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.



CliftonLarsonAllen LLP

Arlington, Virginia
November 5, 2020



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

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) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2020. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of Richmond School Board, Richmond Ambulance Authority, Richmond Redevelopment and Housing Authority, Economic Development Authority, and Richmond Retirement System. These component units have been excluded from the accompanying schedule of expenditures of federal awards during the year ended June 30, 2020. Our audit, described below, did not include the operations of Richmond School Board, Richmond Ambulance Authority, Richmond Redevelopment and Housing Authority, Economic Development Authority and Richmond Retirement System because these component units engaged other auditors to perform an audit in accordance with Title 2 U.S. Code of Federal Regulations for Federal Awards, where applicable.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.

Opinion on Each Major Federal Program

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 major federal programs for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-004. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding 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 the Uniform Guidance, 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.

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 a 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. *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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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 have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-004, that we consider 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 Honorable Members of the City Council
City of Richmond, Virginia

the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 9, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The City's financial statements include the operations of Richmond School Board, Richmond Ambulance Authority, Richmond Redevelopment and Housing Authority, Economic Development Authority and Richmond Retirement Systems for the year ended June 30, 2020. The federal expenditures, where applicable, for Richmond School Board, Richmond Ambulance Authority, Richmond Redevelopment and Housing Authority, Economic Development Authority and Richmond Retirement System are not included in the schedule of expenditures of federal awards. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic 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 basic financial statements as a whole.



CliftonLarsonAllen LLP

Arlington, Virginia
June 9, 2021

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Pass Through Grantor Number	Pass-Through to Subrecipients	Federal Expenditures
OFFICE OF NATIONAL DRUG CONTROL POLICY				
Passed Through Cal Ripkin, Sr. Foundation High Intensity Drug Trafficking Agency	07.999	2019-FED-WBHIDTA-B4B-VA-3		\$ 3,581
Passed Through Mercy Hurst University High Intensity Drug Trafficking Agency	07.999	1-2019TXRRICHMOND		134,288
TOTAL OFFICE OF NATIONAL DRUG CONTROL				137,869
U.S. DEPARTMENT OF AGRICULTURE:				
Direct Payments:				
Child and Adult Food Care Program	10.558			84,015
Summer Food Service Program for Children	10.559			455,778
Passed Through Virginia Department of Social Services: Supplemental Nutrition Assistance Program (SNAP) Cluster: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program Total SNAP Cluster	10.561	Laser Report		4,464,491 4,464,491
TOTAL U.S. DEPARTMENT OF AGRICULTURE				5,004,284
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Payments:				
Community Development Block Grant Cluster Community Development Block Grant Program Entitlement Grants (CDBG) Total Community Development Block Grant Cluster	14.218		\$ 3,510,799	5,681,239 5,681,239
Home Investment Partnerships Program (HOME)	14.239		1,529,206	1,572,559
Emergency Shelter Grant Program (ESG)	14.231			386,455
Housing Opportunities for Persons with AIDS (HOPWA)	14.241		1,035,531	1,064,293
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				8,704,546
U.S. DEPARTMENT OF JUSTICE				
Direct Payments:				
Juvenile Justice and Delinquency Program	16.540			9,296
Crime Victim Assistance	16.575			726,206
Crime Victim Assistance/Discretionary Grant	16.582			272
Edward Byrne Memorial Justice Assistance Grant Program	16.738			170,309
Second Chance Act Reentry Initiative	16.812			36,244
Passed Through Bedford County: Project Safe Neighborhoods	21.000	None provided		47,248
TOTAL U.S. DEPARTMENT OF JUSTICE				989,575

See accompanying Notes to Schedule of Expenditures of Federal Awards

CITY OF RICHMOND, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Pass Through Grantor Number	Pass-Through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION				
Passed Through Virginia Department of Transportation:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction (Capital Projects) -	20.205	290-8130 TRAFF Safety		\$ 6,758,427
Passed Through Virginia Department of Transportation Virginia Department of Rail and Public Transportation:				
Employee Trip Reduction	20.205	47017-04 & 47019-06		82,146
Total Highway Planning and Construction Cluster				<u>6,840,573</u>
Passed Through Virginia Division of Motor Vehicles:				
State and Community Highway Safety	20.600	FOP-2019-59353-9353		2,305
State and Community Highway Safety	20.600	FPS-2019-59354-9354		2,373
State and Community Highway Safety	20.600	FSC-2019-59319-9319		14,509
State and Community Highway Safety	20.600	FOP-2020-50221-20221		7,342
State and Community Highway Safety	20.600	FSC-2020-50124-20124		44,731
State and Community Highway Safety	20.600	FPS-2020-50222-20222		2,713
Total Highway Safety Cluster				<u>73,973</u>
Alcohol Open Container Requirements	20.607	154AL-2018-58180-8180		30,730
Alcohol Open Container Requirements	20.607	154AL-2020-50098-20098		31,449
				<u>62,179</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION				<u>6,976,725</u>
ENVIRONMENTAL PROTECTION AGENCY				
Passed Through Virginia Resource Authority				
Brownfields Assessment and Cleanup Cooperative Agreement	66.818	96368501-0		<u>3,550</u>
TOTAL ENVIRONMENTAL PROTECTION AGENCY				<u>3,550</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Payment:				
Heathy Start	93.926			163,152
Passed Through Mercy Hurst University				
Adult Drug Court - RADTC - SAMHSA	93.243	5H79T1026079-03		46,776
Adult Drug Court - RADTC - SAMHSA	93.243	1H79T1081026-01		114,267
Adult Drug Court - RADTC - SAMHSA	93.243	1H79T1081023-02		197,573
Total Adult Drug Court				<u>358,616</u>
Passed Through Virginia Department of Social Services:				
Promoting Safe and Stable Families	93.556	RDSS LASER		146,897
Temporary Assistance for Needy Families Cluster				
Temporary Assistance for Needy Families	93.558	1901VATANF (BEN-20-012)		30,000
Temporary Assistance for Needy Families	93.558	RDSS LASER		3,438,876
Total Temporary Assistance for Needy Families Cluster				<u>3,468,876</u>
Refugee and Entrant Assistance State/Replacement Designee				
Administered Programs	93.566	RDSS LASER		13,160
Low-Income Home Energy Assistance	93.568	RDSS LASER		625,780
Child Care Cluster:				
Child Care and Development Block Grant	93.575	RDSS LASER		(3,993)
Child Care Mandatory and Matching Funds	93.596	RDSS LASER		618,081
Total Child Care Cluster				<u>614,088</u>
Chafee Education and Training Vouchers Program (ETV)	93.599	RDSS LASER		24,586
Stephanie Tubbs Jones Child Welfare Services Program	93.645	RDSS LASER		8,827
Foster Care Title IV E	93.658	RDSS LASER		3,471,674

See accompanying Notes to Schedule of Expenditures of Federal Awards

CITY OF RICHMOND, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Pass Through Grantor Number	Pass-Through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)				
Passed Through Virginia Department of Social Services (Continued):				
Adoption Assistance - Title IV-E	93.659	RDSS LASER		\$ 3,203,187
Social Service Block Grant (SSBG),	93.667	RDSS LASER		2,845,783
Chafee Foster Care - Independent Living & Administrative	93.674	RDSS LASER		56,420
Children's Health Insurance Program	93.767	RDSS LASER		90,190
Medicaid Cluster				
Medical Assistance Program	93.778	RDSS LASER		4,904,997
Total Medicaid Cluster				<u>4,904,997</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u>19,996,233</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:				
Passed Through Virginia Department of Social Services:				
AmeriCorps	94.006	CVS-17-048		<u>86,096</u>
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE TOTAL				<u>86,096</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed Through Virginia				
Department of Emergency Management				
Emergency Management Performance Grants	97.042	EMP-2018-EP-00007		5,549
Emergency Management Performance Grants	97.042	8294		<u>24,767</u>
Total Emergency Management Performance Grants				<u>30,316</u>
2018 SHSP Central VA Mass Care Enhancement Training Exercise				
Project	97.067	None provided		23,064
2018 SHSP City of Richmond (COR) Preparedness Campaign	97.067	None provided		62,124
2018 SHSP COR CERT (Community Emergency Response Team)				
Award	97.067	None provided		<u>6,891</u>
Total SHSP				<u>92,079</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY TOTAL				<u>122,395</u>
U.S. DEPARTMENT OF TREASURY:				
Passed Through Virginia				
Department of Emergency Management				
COVID-19 - CARES Act Relief Funding	21.019	EMP-2018-EP-00007		<u>2,969,062</u>
TOTAL U.S. DEPARTMENT OF TREASURY				<u>2,969,062</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 44,990,335</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards

CITY OF RICHMOND, VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

NOTE 1 BASIS OF PRESENTATION

Organization

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the primary government of the City of Richmond, Virginia (the City), and is presented on the modified-accrual basis of accounting. Federal awards of component units of the City reporting entity are not included in this Schedule.

The information in this Schedule is also presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

Expenditures of federal award grant funds are made for the purposes specified by the grantor, and are subject to certain restrictions. Expenditures are also subject to audit by the relevant federal agency. In the opinion of management, disallowed costs, if any, from such audits will not have a material effect on this Schedule or the financial position of the City.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards with the exception of CFDA 21.019, which follows criteria determined by the Department of Treasury for allowability of costs. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 INDIRECT COST

The City did not elect to use the 10% de minimis cost rate for indirect costs.

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? x yes _____ none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? x yes _____ none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes _____ no

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
20.205	Highway Planning and Construction
10.561	Supplemental Nutrition Assistance Program
93.778	Medical Assistance Program
21.019	Coronavirus Relief Fund

Dollar threshold used to determine Type A programs: \$1,349,710

Auditee qualified as low-risk auditee? _____ yes x no

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Section II – Financial Statement Findings

**2020-001 – Recording of Retainage Payable – Significant Deficiency
Prior Year Finding #2019-001**

Condition

The City did not record a liability for retainage payable related to construction in progress invoices. Retainage payable represents a liability attributable to the acquisition, construction or improvement of capital assets (in this case, construction in progress). The retainage payable amount is included on construction in progress invoices as a reduction of total expenditures incurred.

Criteria

Generally Accepted Accounting Principles (GAAP) require that all transactions of an entity be properly accounted for in the period they occur.

Cause

The City has a history of not accounting for these transactions and therefore, has not established the appropriate policies and procedures to ensure proper accounting.

Effect

Failure to record retainage payable may result in the misstatement of liability and expenditures. Further, the financial information provided to management and those charged with governance may not be accurate or relevant.

Recommendation

We recommend that the City recognize retainage and establish ongoing training for those individuals responsible for the accounting of these transactions as well as the departments required to provide information needed by the Finance Department to properly account for retainage.

Management's Response

Purchase orders are created for the entire amount of the project which encumbers the funds. Currently, projects are paid in phases and a hold is placed on a portion of the funds until the completion date of the project. Once the project is complete, the balance on the purchase order which is encumbered, is released/paid to reflect the retainage amount which was held. The City has a mechanism in the system that identifies retainage as a type of payment but this was not used in previous years as an identifying marker for the final payment (retainage). The Finance Department has communicated with all applicable departments to identify the release of the financial retainage amounts prior to the payment being released. The City is in the process of a system upgrade that it will track and record retainages that have not been paid at year end and will record them as a liability.

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Section II – Financial Statement Findings (Continued)

**2020-002 – Information Technology Controls – Significant Deficiency
Prior Year Finding #2019-002**

Condition

Our review of the general computer controls at the City's Department of Information Technology (DIT) disclosed several internal control deficiencies. Their general computer control deficiencies included:

- Periodic Review of Access – The City has not developed a process to periodically review the active user listing for either the continued need for access or the appropriateness of access retained.
- Password Configuration – The City has not configured password settings in conformance with the established policy or leading industry practices.

Criteria

A well-designed system of internal controls related to application access and security requires sound general computer controls be established and functioning to reduce the risk that the City's operations are out of compliance with industry best practices and management's objectives and expectations.

Cause

The City does not have sufficient policies and procedures, including monitoring controls.

Effect

An ineffective control environment increases the risk that financial data integrity is not maintained.

Recommendation

We recommend the City evaluate the items noted and implement updated procedures to improve the general computer controls to include:

- Develop a process to periodically review the active user listing in the system to validate the appropriateness of user accounts and their associated access rights.
- Implement configuration changes to conform to City policies and periodically assess that configurations continue to align with management's expectations.

Management's Response:

- We agree that an annual City-wide review of access to all systems is a necessary step to move into alignment with best practices. We concur that each owner should be responsible for the verification of access to his/her system, which is in keeping with the responsibilities of owners as outlined in policy.
- DIT is assessing the steps necessary to bring RAPIDS and CIS into compliance with policy. If there are technological or practical impediments, then we will pursue change to policy.

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Section II – Financial Statement Findings (Continued)

**2020-003 – Use of Miscellaneous Vendor – Significant Deficiency
Prior Year Finding #2019-003**

Condition

The “Miscellaneous Vendor” code is not being consistently used for its intended purpose. This code was established for small social services reimbursements; however, we noted the code was being used for large recurring vendors. The use of the “Miscellaneous Vendor” code allows for a bypass of the normal procurement process.

Criteria

All large vendors paid by the City should be subjected to the City’s procurement processes.

Cause

The City is not monitoring the use of the “Miscellaneous Vendor” code and necessary procurement processes are not being followed.

Effect

The use of the “Miscellaneous Vendor” code can allow employees to surpass the approval process of requesting a new vendor through the procurement department. This could result in related party vendors or vendors who are suspended and debarred. Bypassing the procurement process may also increase the risk of fraud related to disbursement of funds.

Recommendation

We recommend the City limit the use of the “Miscellaneous Vendor” code. We also recommend the City establish controls to review all checks issued to “Miscellaneous Vendor”.

Management’s Response:

Procurement Services will establish miscellaneous vendor supplier records by payment types to align to source and purpose for creation. Additionally, Procurement Services will create a dashboard to monitor and validate the use of the miscellaneous vendor payment types. Procurement violations will have appropriate follow up by Department of Procurement Services.

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Section III – Federal Award Findings and Questioned Costs

2020-004

Federal Agency: U.S. Department of the Treasury
Federal Program Name: Coronavirus Relief Fund
Pass-Through Agency: None
Pass-Through Award Number: None
CFDA Number: 21.019
Award Period: March 1, 2020 – June 30, 2020
Compliance Requirement: Period of Performance and Allowable Costs
Type of Finding: Significant Deficiency, non-compliance
Prior Year Finding: No

Criteria

Internal Control:

Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Compliance:

Allowable Costs

The Fund is designed to provide ready funding to address unforeseen financial needs and risks created by the COVID-19 public health emergency. Governments may use Fund payments for eligible expenses subject to the restrictions set forth in section 601(d) of the Social Security Act. Payments must be used to cover costs that are:

1. Necessary expenditures incurred due to the public health emergency with respect to COVID-19;
2. Not accounted for in the government’s budget most recently approved as of March 27, 2020; and
3. Incurred during the period that begins on March 1, 2020 and ends on December 30, 2020

Period of Performance

Governments must use the direct payments for necessary expenditures incurred between March 1, 2020 and December 30, 2020, due to the COVID-19 public health emergency.

Condition: During testing we noted that 1 out of 15 sample items selected for cash disbursements testing was incurred prior to March 1, 2020. During testing we also noted 4 sample items in period of performance testing were incurred prior to March 1, 2020. Once identified as exceptions, the City corrected the schedule of expenditures of federal awards by removing all transactions occurring prior to March 1, 2020.

Questioned Costs: N/A

Cause: The City did not enhance their internal controls over period of performance and allowable costs processes to ensure that errors were prevented and/or detected.

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Effect: Expenditures outside of the allowable period of performance were incorrectly charged to the federal grant.

Recommendation: We recommend the City should evaluate their current procedures and enhance as necessary to ensure expenditures aren't charged outside of allowable period of performance.

Management's Response: The City of Richmond has moved the management of the funds received for CFR to the Projects Module in RAPIDS to increase the visibility into the allowable use and eligibility period. Additionally, weekly meetings were held with agencies/departments during the run up to the original deadline where the allowable uses and eligibility period was reinforced. All funds were encumbered by December 30, 2020.

Section IV – Findings and Questioned Costs Related to Compliance With Commonwealth of Virginia Laws, Regulations, Contracts, and Grants

2020-APA 01 – Department of Social Services EBT SNAP Account Transaction

Criteria: In accordance with the Auditor of Public Accounts Specifications for Counties, Cities and Towns, Chapter 3 Section 15, duties of eligibility workers, issuance clerks and fiscal staff need to be separated for each SNAP EBT account and local officials need to follow the EBT Policies and Procedures Guide.

Additionally, Virginia EBT Policy Certification Unit Procedures state, "the BPS (Benefit Program Specialist) or supervisor must complete the top portion of the Internal Action and Vault EBT Card Authorization Form. Followed by the Issuance Unit Procedures, the Issuance Worker will receive the Internal Action and Vault EBT Card Authorization from Eligibility to authorize the issuance of the card".

Also, RDSS EBT Vault Card Issuances procedures are as follows:

1. Appropriate staff will create the Internal Action Vault EBT Card Authorization forms to authorize issuance staff to prepare and issue EBT vault card to primary cardholder or Authorized Representation.
2. All Internal Action forms must be signed or initialed by the worker and / or Supervisor.
3. The completed form is forwarded to EBT issuances staff at appropriate location.
4. EBT issuance staff must verify customer's signature before releasing the vault card.

Condition: The Auditors reviewed 25 SNAP cases, all of them had the required internal action report forms and were in compliance VDSS standards. However, nine were missing the supervisory authorization as required per Richmond Department of Social Services (RDSS) procedures. RDSS policy states, "All Internal Action forms must be signed or initialed by the work and/ or supervisor".

Cause and effect: Per the Program Manager, there is a lack of monitoring oversight for the administration and issuance over the EBT Vault cards. Additionally, the issuance staff do not have an authorized signature log to determine a supervisor's signature. Without sufficient monitoring controls, EBT vault cards could be issued to ineligible clients with improper signoffs.

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Recommendation: We recommend the DSS Deputy Director develop and implement monitoring controls over the issuance of EBT Vault cards. We also recommend the DSS Deputy Director develop an authorized signature log for the issuance staff to review for supervisor signatures.

View of responsible officials: See Corrective Action Plan.

2020-APA 02 – Department of Social Services Special Welfare and Dedicated SSI Accounts

Criteria: In accordance with the Auditor of Public Accounts *Specifications for Counties, Cities and Towns, Chapter 3 Section 15*, child welfare accounts and dedicated SSI accounts are established for LDSS' to accept and expend funds on behalf of children placed in their care when there is no appointed guardian. Receipt of special funds and expenditures should be posted to the child's account. The LDSS should comply with federal guidelines in regard to the types and titling of bank accounts and acceptable expenditures. Certain social security payments, such as certain large back SSI payments to blind and disabled children under 18 years of age should be housed in a separate dedicated bank account, although not specified in the law, the account should be interest bearing. The LDSS may only disburse funds from dedicated accounts for limited purposes, typically medical and educational.

Auditors reviewed the following attributes for a sample of clients with special welfare accounts:

- Receipts were credited accurately and timely to the special welfare account or the dedicated account of the appropriate individual.
- Interest was properly credited to the account when earned.
- The local treasurer was reimbursed monthly for program expenditures incurred in the current month, and only in the current month.
- Reimbursements were reported on LASER and/or the Local Reimbursement Reports as refunds to expenditures (if applicable).
- Special welfare and dedicated funds that were not spent were returned to individuals who left the agency's custody, refunded to applicable funding sources (example Social Security), or escheated to the state (unclaimed property).
- Each special welfare account and dedicated account were reconciled monthly with the treasurer's records.
- Special welfare funds were spent in accordance with any special stipulations.
- SSI dedicated funds were spent in accordance with SSA stipulations.
- Special welfare accounts and SSI dedicated accounts without recent transaction activity were necessary.

Condition: A sample of eight clients with child welfare accounts were tested for the nine attributes in the criteria related child welfare account requirements. Exceptions are noted below:

- One out of eight clients did not have SSI/SSA receipts accurately and timely deposited and credited to the child's account for one out of twelve months reviewed.
- Interest is posted in the Conserve account, however dedicated funds are not deposited into an interest bearing account. Interest is not applied to each individual recipient in Harmony.
- Reimbursements were not processed monthly in the current month for expenses in the current month for all eight clients tested.
- Two exceptions were noted where reimbursements were not reported to the State and captured as refunds for expenditures for two out of twelve months reviewed.
- One out eight clients did not have proper supporting documentation for some expenditures paid by special welfare funds.

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Cause and effect: The causes and effects of the exception above are noted below.

- Total check amount for one client was deposited but was not posted to account due to an offset of a clothing allowance so that the client's account would not be overstated. A subsequent offset for the same clothing allowance was processed at a later date causing the account to be understated by \$150.
- The SSI Conserved bank account accrued interest. The interest is manually tracked via the bank statements of the Conserve account. However, the monthly SSI and SSA receipts were not deposited into the SSI Conserved bank account during FY2020. These receipts were deposited into the City's concentration bank account, posted to the clients' accounts in Harmony, and posted to a special fund in RAPIDS. Per VDSS guidelines, while it preferred that dedicated funds be deposited in an interest-bearing account, it is not required.
- Reimbursements are processed once DSS receives the bill from the vendor and the bill is paid, which can be months after the expense occurred. Also, per DSS staff, reimbursements were previously processed monthly and then in batches prior to March 2020, but were stopped due to issues with the report that was being used. A new report will be put in place to improve the process so they can be processed monthly again.
- One reimbursement was coded incorrectly therefore it was not captured on the pool reimbursement. The other exception could not be explained as the previous employee responsible for reconciling the reports is no longer with the City. Reimbursements totaling \$1,273 were not properly reported to the State.
- The client changed workers several times over his care. The worker did not provide receipts for two requests prior to separating from the City, and the foster parent could only provide a bank statement rather than receipts. Additional requests for receipts have been issued with no success. Expenditures totaling \$944.18 were not properly supported.

Recommendation:

- Ensure reimbursements are processed monthly for program expenditures incurred in the current month, and only in the current month where feasible.
- Ensure reimbursements are reported to the State and captured as refunds.
- Ensure receipts are obtained for child welfare expenditures.
- Interest should be tracked and applied to individual child accounts.
- Assess the feasibility of depositing the Dedicated SSI receipts into an interest bearing account.
- Continue to contact Social Security Administration regarding the use of the City concentration account rather than the conserved account for SSA/SSI deposits.

View of responsible officials: See Corrective Action Plan.

2020-APA 03 – Department of Social Services Computer System Access

Criteria: In accordance with the Auditor of Public Accounts *Specifications for Counties, Cities and Towns, Chapter 3 Section 15*, local government officials are required to terminate the access privileges of all Virginia Department of Social Services system users within three working days of employment termination.

Condition: One out of eight employees sampled did not have their system access removed within three days of their separation date as mandated by policy.

Cause and effect: The requirement to terminate access privileges timely after termination of employment was not performed properly. No known inappropriate access resulted from this late termination of access.

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Recommendation: The City should implement procedures to ensure access is terminated timely after the termination of an employee.

View of responsible officials: See Corrective Action Plan.

2020-APA 04 – Stormwater Utility Program

Criteria: In accordance with the Auditor of Public Accounts *Specifications for Counties, Cities and Towns, Chapter 3 Section 16*, localities must submit the annual Stormwater Utility Report to the Auditor of Public Accounts by October 1, 2020.

Condition: The Stormwater Utility Report for fiscal year 2020 was submitted to the Auditor of Public Accounts on November 19, 2020.

Cause and effect: The requirement to submit the Stormwater Utility Report was not performed properly. The City is out of compliance with Auditor of Public Accounts requirement.

Recommendation: The City implement procedures to ensure the Stormwater Utility Report is submitted on a timely basis and before October 1 of each year.

View of responsible officials: See Corrective Action Plan.



CITY OF RICHMOND
DEPARTMENT OF FINANCE

The City of Richmond respectfully submits the following summary schedule of prior year findings for the year ended June 30, 2020.

Audit period: 07/01/2019 – 06/30/2020

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS – FINANCIAL STATEMENT AUDIT

2019-001 Recording of Retainage Payable – Significant Deficiency

Condition:

The City did not record a liability for retainage payable related to those construction in progress invoices. Retainage payable represents a liability attributable to the acquisition, construction or improvement of capital assets (in the case, construction in progress). The retainage payable amount is included on construction in progress invoices as a reduction of total expenditures incurred.

Status: Partial. Repeated as finding 2020-001

Reason for finding's recurrence: The City has a mechanism in the system that identifies retainage as a type of payment but it is not used in the previous years as an identifying marker for the final payment (retainage). The Finance Department has communicated with all applicable departments to identify the release of the financial retainage amounts prior to the payment being released. The City is in the process of a system upgrade that it will automatically track and record retainages but is currently doing a manual process until finalized.

Corrective Action: See corrective action for 2020-001

2019-002 Information Technology Controls – Significant Deficiency

Condition:

Our review of the general computer controls at the City's Department of Information Technology (DIT) disclosed several internal control deficiencies. These general computer control deficiencies included:

- Strategic Plan - The City's DIT has not developed a strategic plan for the short- or long-term objectives for IT resources and projects to meet the City's needs.

- Periodic Review of Access - The City has not developed a process to periodically review active user listing for either the continued need for access or the appropriateness of access retained.
- Password Configuration – The City has not configured password settings in conformance with the established policy or leading practices. The configurations included password history, minimum password age, and account lockout settings.

Status: Partial. Repeated as finding 2020-002

Reason for finding's recurrence: The City decided to take a comprehensive approach to reviewing its password policies and settings across the board of which the Oracle system is a part. Due to the nature of the longer term effort, additional time and resource have been required to complete the thorough development of a policy position statement. DIT is assessing the steps necessary to bring RAPIDS and CIS into compliance with policy.

Corrective Action: See corrective action for 2020-002

2019-003 Use of Miscellaneous Vendor – Significant Deficiency

Condition:

The “Miscellaneous Vendor” code is not being consistently used for its intended purpose. This code was established for small social services reimbursements; however, we noted the code was being used for large recurring vendors. The use of the “Miscellaneous Vendor” code allows for a bypass of the normal procurement process.

Status: Partial. Repeated as finding 2020-003

Reason for finding's recurrence: The Procurement Department is coordinating with City Departments to establish accounts payable vendors and contract vendors as well as increase the use of electronic payments. This function will reduce the need for the use of miscellaneous vendors which are currently being used for refunds, housing, rent and recipient payments. DIT is assessing the steps necessary to bring RAPIDS and CIS into compliance with policy.

Corrective Action: See corrective action for 2020-003

2019-004 Parking Fund Assets – Material Weakness

Condition:

Capital expenditures related to parking fund assets were recorded in governmental activities and not in the parking fund.

Status: Corrected

FINDINGS – FEDERAL AWARD PROGRAMS AUDIT

2019-005 Eligibility

Program Title: Adoption Assistance – Title IV-E
CFDA Number: 93.659

Condition:

We identified that 1 out of 40 cases tested did not have evidence that the Title IV-E agency made reasonable efforts to place the child for adoption without a subsidy.

Status: Corrected

If there are any questions regarding this schedule, please call Sheila White, Senior Deputy Director Finance at (804) 646-5667.