

**Report to the
Board of Directors
and Management**

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF RICHMOND, VIRGINIA**

June 30, 2020

INDEPENDENT AUDITOR'S REPORT ON COMMENTS AND SUGGESTIONS

To the Board of Directors and Management of
Economic Development Authority of the City of Richmond, Virginia
(A Component Unit of the City of Richmond, Virginia)
Richmond, Virginia

In planning and performing our audit of the financial statements of the business-type activities of the Economic Development Authority of the City of Richmond, Virginia (the Authority) as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in circumstances for the purpose of expressing our opinion on the financial statements and to comply with any other applicable standards, such as *Government Auditing Standards*, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the first 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. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

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. 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.

If material weaknesses or significant deficiencies were identified during our procedures they are appropriately designated as such in this report. Additional information on material weaknesses or significant deficiencies and compliance and other matters is included in the ***Independent Auditor's 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*** which should be read in conjunction with this report.

Additionally, during our audit, we may have become aware of certain other matters that provide opportunities for improving your financial reporting system and/or operating efficiency. Such comments and suggestions regarding these matters, if any, are also included in the attached report, but are not designated as a material weakness or significant deficiency. Since our audit is not designed to include a detail review of all systems and procedures, these comments should not be considered as being all-inclusive of areas where improvements might be achieved. We also have included information on accounting and other matters that we believe is important enough to merit consideration by management and those charged with governance. It is our hope that our suggestions will be taken in the constructive light in which they are offered.

We have already discussed these comments and suggestions with management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of the Economic Development Authority of the City of Richmond, Virginia, management, and the appropriate state and federal regulatory agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Brown, Edwards & Company, L.L.P.".

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
September 24, 2020

COMMENTS ON INTERNAL CONTROL FOR YOUR CONSIDERATION

JOURNAL ENTRIES

During our testing of journal entries, we noted that there was no documentation of formal review and approval process over the posting of journal entries. We also noted that support could not be provided for one out of the three entries selected for testing. We recommend that the Authority implement procedures to document the review and approval of journal entries and that support for all entries are filed and retained.

SMALL BUSINESS DISASTER LOANS

During our testing of small business disaster loans, we noted two instances where the total of the payments to businesses resulted in an overstatements of \$3,333.33 and an understatement of \$3,333.33 that netted to zero. However, the information reflected in the schedule was not correct. We recommend that all schedules be compared to supporting documentation to ensure the accuracy of the records.

ECONOMIC INCENTIVE GRANTS

During our testing of the pass-thru economic incentive grants, we noted one overpayment of grant funds from the City to the Authority. We also noted one overpayment of grant funds by the Authority to a grantee. We recommend that the Authority reconcile and update the grant records on a monthly basis to ensure there are no underpayments or overpayments between the Authority, City and grantees.