

Single Audit Report

**The City of Richmond, Virginia**

June 30, 2015



**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT*  
*AUDITING STANDARDS***

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

We have audited, in accordance with 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 and the *Specifications for Audits for 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, 2015, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated October 31, 2016.

Our report includes a reference to other auditors who audited the financial statements of each of the aggregate discretely presented component units and the Richmond Retirement System, as described in our report on the City’s financial statements. 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 design 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 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 schedule of findings and questioned costs to this report, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies in 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. We consider the deficiencies described in accompanying schedule of findings and questioned costs as items 2015-001 through 2015-004 and 2015-008 to be material weaknesses in the City's internal control.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2015-005 through 2015-007 to be significant deficiencies in the City's internal control.

#### 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 an instance of noncompliance or other matters, described in the accompanying schedule of findings and questioned costs as item 2015-008 that is required to be reported under *Government Auditing Standards* and disclosed instances of noncompliance described in the accompanying schedule of findings and questioned cost as items 2015-APA 01 through 2015-APA 12 that is required to be reported under the *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of the Public Accounts of the Commonwealth of Virginia.

#### City's response to findings

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

#### Intended purpose

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 report is not suitable for any other purpose.

*Grant Thornton LLP*

Houston, Texas  
October 31, 2016



## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

### **Report on compliance for each major federal program**

We have audited the compliance of the City of Richmond, Virginia (the “City”) with the types of compliance requirements described in the U.S. Office of Management and Budget’s *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. 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.

Our audit of, and opinion on, the City’s compliance for each major federal program does not include the operations of the Richmond Public Schools, Richmond Behavioral Health Authority, and the Richmond Redevelopment and Housing Authority, discretely presented component units, which received federal awards for the year ended June 30, 2015 that are not included in the accompanying schedule of findings and questioned costs. The Richmond Public Schools, Richmond Behavioral Health Authority, and the Richmond Redevelopment and Housing Authority engaged other auditors to audit its compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*.

### **Management’s responsibility**

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to the City’s 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. Except as explained in the Basis for Disclaimer of Opinion on SNAP Cluster, TANF Cluster, Adoption Assistance Title IV-E, and Medicaid Cluster paragraph, 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 of the following major programs: Child Care and Development Fund Cluster, Foster Care Title IV-E, Community Development Block Grants/Entitlements Grants, Highway Planning and Construction Cluster, HOME Investment Partnerships Program, Community Development Block Grants - Section 108 Loan Guarantees, and Clean Water State Revolving Funds Cluster. However, our audit does not provide a legal determination of the City's compliance.

**Basis for disclaimer of opinion on SNAP Cluster, TANF Cluster, Adoption Assistance Title IV-E, and Medicaid Cluster**

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence about the compliance of the City with requirements regarding the major programs listed in the table below nor were we able to satisfy ourselves as to the City's compliance with these requirements by other auditing procedures.

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2015-009	10.561	SNAP Cluster	Activities Allowed and Unallowed; Allowable Costs/Cost Principles
	93.558	TANF Cluster	
	93.659	Adoption Assistance Title IV-E	
	93.778	Medicaid Cluster	
2015-009	10.561	SNAP Cluster	Period of Performance
	93.778	Medicaid Cluster	
2015-018	93.558	TANF Cluster	Eligibility
2015-019	93.659	Adoption Assistance Title IV-E	Eligibility
2015-020	93.778	Medicaid Cluster	Eligibility

**Disclaimer of opinion on SNAP Cluster, TANF Cluster, Adoption Assistance Title IV-E, and Medicaid Cluster**

Because of the significance of the matter described in the Basis for Disclaimer of Opinion on SNAP Cluster, TANF Cluster, Adoption Assistance Title IV-E, and Medicaid Cluster paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an opinion on the City's compliance with the compliance requirements applicable to SNAP Cluster, TANF Cluster, Adoption Assistance Title IV-E, and Medicaid Cluster. Accordingly, we do not express an opinion on the City's compliance.

**Basis for Qualified Opinion on Child Care and Development Fund Cluster and Foster Care Title IV-E**

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the City with requirements regarding CFDA 93.575 and 93.596 - Child Care and Development Fund Cluster as described in finding number 2015-009 for Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, and CFDA 93.658 – Foster Care Title IV-E as described in finding number 2015-009 for Activities Allowed or Unallowed, Allowable Costs/Cost Principles and Special Tests and Provisions, consequently we are unable to determine whether the City complied with those requirements applicable to that program.

**Qualified Opinion on Child Care and Development Fund Cluster and Foster Care Title IV-E**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion on Childcare and Development Fund Cluster and Foster Care Title IV-E paragraph, 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 Child Care and Development Fund Cluster and Foster Care Title IV-E for the year ended June 30, 2015.

**Basis for Qualified Opinion on Community Development Block Grants/Entitlement Grants and Highway Planning and Construction Cluster**

As described in the accompanying schedule of findings and questioned costs, the City did not comply with the requirements regarding the major programs listed in the table below. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2015-010	14.218	Community Development Block Grants/Entitlement Grants	Activities Allowed or Unallowed; Allowable Costs/Cost Principles
2015-014	20.205	Highway Planning and Construction Cluster	Activities Allowed or Unallowed; Allowable Costs/Cost Principles

**Qualified Opinion on Community Development Block Grants/Entitlement Grants and Highway Planning and Construction Cluster**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion on Community Development Block Grants/Entitlement Grants and Highway Planning and Construction Cluster paragraph, 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 Community Development Block Grants/Entitlement Grants and Highway Planning and Construction Cluster for the year ended June 30, 2015.

### **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, 2015.

### **Other matters**

The results of our audit procedures disclosed other instances of noncompliance, described in the accompanying schedule of findings and questioned costs as items 2015-011, 2015-013, 2015-016, and 2015-017 that are required to be reported in accordance with OMB Circular A-133. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit, which is described in the accompanying schedule of findings and questioned costs, was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the City's 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 compliance requirements that could have a direct and material effect on each major federal program to design audit 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.

As described in our Report on Compliance for Each Major Federal Program above, this Report on Internal Control Over Compliance does not include the results of the other auditors' testing of internal control over compliance that is reported on separately by those auditors.

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 were not identified. We identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2015-009 through 2015-020 that we consider to be material weaknesses in the City's internal control over compliance.

The City's response to the findings on internal control over compliance identified in our audit, which is described in the accompanying schedule of findings and questioned costs, was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the City's 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 results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Grant Thornton LLP*

Houston, Texas  
March 14, 2017



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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY OMB CIRCULAR A-133**

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

We have audited, in accordance with 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 City of Richmond, Virginia (the “City”) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and our report thereon dated October 31, 2016 expressed unmodified opinions on these financial statements. 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 purposes of additional analysis as required by the 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 basic financial statements. Such supplementary 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 basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the 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.

**Basis for Qualified Opinion on the Relationship of the Schedule of Expenditures of  
Federal Awards to the Basic Financial Statements**

For the fiscal year ended June 30, 2015, City management cannot materially reconcile individual program awards passed through to the City from the Virginia Department of Social Services (the “VDSS”), as reflected in the Schedule of Expenditures of Federal Awards approximating \$22,100,000, to its general ledger.

**Qualified Opinion**

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion on the Relationship of the Schedule of Expenditures of Federal Awards to the Basic Financial Statements* paragraph, the Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Grant Thornton LLP*

Houston, Texas  
October 31, 2016

City of Richmond, Virginia

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2015

CITY OF RICHMOND, VIRGINIA  
Schedule of Expenditures of Federal Awards  
For Fiscal Year Ended June 30, 2015

Federal Grantor/Pass Through Grantor/Program Title Pass Through Grantors' Number	Federal CFDA Number	Federal / Pass Through Grantor Number	2015 Federal Expenditures
<b>OFFICE OF NATIONAL DRUG CONTROL POLICY:</b>			
<i>Passed Through University of Maryland:</i>			
High Intensity Drug Trafficking Area Program	7.999	9442-Z9744006, Z921112, Z9744003, Z921105	\$ 171,101
High Intensity Drug Trafficking Area Program - Washington/Baltimore Project	7.999	I-2015PREVRICH	43,912
<b>TOTAL OFFICE OF NATIONAL DRUG CONTROL POLICY</b>			<b>\$ 215,013</b>
<b>DEPARTMENT OF AGRICULTURE, FOOD, AND NUTRITION SERVICE:</b>			
<i>Pass Through Virginia Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	<b>Laser</b>	4,635,034
<i>Pass Through Virginia Department of Health:</i>			
Child and Adult Care Food Program - USDA CACFP Snack/Supper Program	10.558	59729	220,349
Summer Food Service Program for Children	10.559	56393	952,689
<b>TOTAL DEPARTMENT OF AGRICULTURE, FOOD, AND NUTRITION SERVICE</b>			<b>\$ 5,808,071</b>
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>			
DIRECT PAYMENTS:			
Community Development Block Grants/Entitlement Grants	14.218	B14MC510019	4,600,833
Community Development Block Grants/Entitlement Grants - FY 14	14.218	CDBG FY2015	230
Continuum of Care Program	14.267	VA0204L3F001200	646
Neighborhood Stabilization Program	14.264	B-11-MN-51-0001	512,215
Home Investment Partnerships Program (HOME)	14.239	M12MC510205	1,485,887
Emergency Solutions Grant Program	14.231	E13-MC-51-0004, E 12MC 510004	415,809
Housing Opportunities for Persons with AIDS	14.241	VAH13-F001	1,222,156
Shelter Plus Care	14.238	VA0147C3F000900, VA0149C3F000900, VA0002C3F000800, VA0001C3F000800, VA0010L3F001205, VA0204L3F001200,	1,270,425
Community Development Block Grants_Section 108 Loan Guarantees	14.248		3,161,927
<b>TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<b>\$ 12,670,128</b>
<b>DEPARTMENT OF JUSTICE:</b>			
DIRECT PAYMENTS:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0602, 2013-DJ-BX-1056	70,909
Drug Court Discretionary Grant Program - FY 13	16.585	2013-DC-BX-0222	89,287
Criminal and Juvenile Justice and Mental Health Collaboration Program - FY 14	16.745	2013-MO-BX0021	22,709
Juvenile Accountability Block Grants	16.523	15-A3176JB11	14,063
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0929	19,625
<i>Pass Through Virginia Department of Agriculture:</i>			
Edward Byrne Memorial Justice Assistance Grant Program - USDA FY 14, FY 15	16.738	USDA FY 15, USDA FY 14	102,603
<i>Pass Through Virginia Department of Criminal Justice:</i>			
Edward Byrne Memorial Justice Assistance Grant Program - FY 14 Criminal Justice Planning	16.738	14-B2611AD12	2,359
Edward Byrne Memorial Justice Assistance Grant Program - FY 15 Criminal Justice Planner	16.738	15-C2611AD13	195
Edward Byrne Memorial Justice Assistance Grant Program - FY 15 Criminal Justice (Match)	16.738	15-C2611AD13	3,444
Equitable Sharing Program - Asset Forfeiture Transfer Program	16.922	Asst Forf - Law Enf Eqp	527,894
<b>TOTAL DEPARTMENT OF JUSTICE</b>			<b>\$ 853,089</b>

See notes to the schedule of expenditures of federal awards.

City of Richmond, Virginia

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued  
June 30, 2015

Federal Grantor/Pass Through Grantor/Program Title Pass Through Grantors' Number	Federal CFDA Number	Federal / Pass Through Grantor Number	2015 Federal Expenditures
<b>ENVIRONMENTAL PROTECTION AGENCY:</b>			
DIRECT PAYMENTS:			
Brownsfield Assessment and Cleanup Cooperative Agreements	66.818	BF-96323201	\$ 15,986
Brownsfield Assessment and Cleanup Cooperative Agreements - Petro	66.818	BF-96323201	72,466
<i>Passed Through Virginia Department of Environmental Quality</i>			
Capitalization Grants for Clean Water State Revolving Funds	66.458	C-515430-02	1,585,477
Capitalization Grants for Clean Water State Revolving Funds	66.458	C-515491E-02	240,495
<b>TOTAL ENVIRONMENTAL PROTECTION AGENCY</b>			<b>\$ 1,914,424</b>
<b>DEPARTMENT OF TRANSPORTATION:</b>			
<i>Passed Through Virginia Department of Transportation:</i>			
Highway Planning and Construction - Capital Project	20.205	295-8835, 295-8102, 291-8189, 291-8365, 291-8949, 291-8950, 291-8962, 291-C034, 290-8137, 290-8138, 290-8130, 290-8192, 290-8208, 290-3232, 290-8249, 290-8229, 290-8230, 295-8101, 292-8755, 291-8181, 294-8185, 291-8963, 290-8009, 290-8910, 290-NEW	8,251,082
<i>Passed Through Virginia Division of Motor Vehicles:</i>			
State and Community Highway Safety - Selective Reinforcement - Pedestrian Bicycle	20.600	PS-2015-55108-5847	1,905
State and Community Highway Safety - Selective Reinforcement - Speed	20.600	SC-2015-55123-5860	40,309
State and Community Highway Safety - Selective Reinforcement - Participant Protection	20.600	OP-2015-55121-5860	146
State and Community Highway Safety/National Priority Safety Programs - Selective Reinforcement - Alcohol	20.616	154AL-2015-55120-5859	45,610
<i>Passed Through Virginia Department of Rail and Public Transportation:</i>			
Highway Planning and Construction	20.205	72514-14-CM 5A27 (303)	138,147
<b>TOTAL DEPARTMENT OF TRANSPORTATION</b>			<b>\$ 8,477,199</b>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>			
DIRECT PAYMENTS:			
Temporary Assistance for Needy Families	93.558	FAM-12-084-28	4,728,297
Medical Assistance Program	93.778	Laser	5,564,253
Closing the Gap Between Standards Development and Implementation	93.826	H49MC00124	659,780
<i>Passed Through Virginia Department of Social Services:</i>			
Temporary Assistance for Needy Families - Healthy Families	93.558	FAM-12-084-28	67,943
Promoting Safe and Stable Families	93.556	LASER	117,495
Refugee and Entrant Assistance -State Administered Program	93.566	LASER	10,810
Low-Income Home Energy Assistance	93.568	LASER	528,606
Child Care and Development Block Grant	93.575	LASER	(6,049)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	LASER	767,715
Chafee Education and Training Vouchers Program (ETV)	93.599	LASER	20,438
Stephanie Tubbs Jones Child Welfare Services Program	93.645	LASER	36,028
Foster Care Title IV-E	93.658	LASER	3,581,377
Adoption Assistance Title IV-E	93.659	LASER	2,835,231
Social Services Block Grant	93.667	LASER	3,321,064
Chafee Foster Care Independence Program	93.674	LASER	52,182
Children's Health Insurance Program	93.767	LASER	164,583
Adoption and Legal Guardianship Incentive Payments	93.603	LASER	2,322
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>\$ 22,452,075</b>

See notes to the schedule of expenditures of federal awards

**City of Richmond, Virginia**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued  
June 30, 2015

**CITY OF RICHMOND, VIRGINIA**  
Schedule of Expenditures of Federal Awards  
For Fiscal Year Ended June 30, 2015

Federal Grantor/Pass Through Grantor/Program Title Pass Through Grantors' Number	Federal CFDA Number	Federal / Pass Through Grantor Number	2015 Federal Expenditures
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:</b>			
<i>Passed Through Virginia Department of Social Services:</i>			
Ameri Corps	94.006	CVS-12-043-08, CVS-12-043-05	\$ 220,666
<b>TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			<b>\$ 220,666</b>
<b>DEPARTMENT OF HOMELAND SECURITY:</b>			
DIRECT PAYMENTS:			
Assistance to Firefighters Grant	97.044	EMW-2012-FO-04948, EMW-2012-FP-00312	247,792
Port Security Grant Program	97.056	EMW-2012-PU-00342-S01	135,084
Homeland Security Grant Program	97.067	2012 SHSP	25,791
<i>Passed Through Virginia Department of Emergency Management</i>			
Emergency Management Performance Grants - LEMPG	97.042	LEMPG FY14	110,669
Emergency Management Performance Grants - SLEMPG	97.042	SLEMPG FY15	9,950
Homeland Security Grant Program - MMRS	97.067	MMRS2010, MMRS 2011,	35,813
Homeland Security Grant Program - SHSP	97.067	2013 SHSP	74,351
Homeland Security Grant Program - Citizens Corps #15	97.067	DHOS	93
Homeland Security Grant Program - Citizen & Business Training	97.067	SHS	10,698
<b>TOTAL DEPARTMENT OF HOMELAND SECURITY</b>			<b>\$ 650,241</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 53,260,904</b>

See notes to the schedule of expenditures of federal awards

**City of Richmond, Virginia**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
June 30, 2015

**(1) Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activity of all federal financial programs of the City of Richmond, Virginia. The Schedule is presented on the modified accrued 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.

**(2) Subrecipients**

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

Program Title	CFDA Number	Subrecipients
Community Development Block Grants/Entitlement Grants	14.218	\$1,581,875
Emergency Shelter Grant	14.231	189,984
HOME Investment Partnerships Program	14.239	433,584
Housing Opportunities for Persons with AIDS	14.241	923,567
Neighborhood Stabilization Program	14.256	<u>12,500</u>
Total Subrecipient Reimbursements		\$3,141,510

**(3) Loans Outstanding**

The City had the following loan balances outstanding at June 30, 2015:

Program Title	CFDA Number	Amount Outstanding
Community Development Block Grant Section 108	14.248	\$10,125,000

**City of Richmond, Virginia**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2015

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? Yes
- Significant deficiencies identified that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

*Federal Awards*

Internal controls over major program:

- Material weakness identified? Yes
- Significant deficiencies identified that are not considered to be material weaknesses? None reported

Type of auditor's report issued on compliance for major programs:

Disclaimer:

10.561	SNAP Cluster
93.558	TANF Cluster
93.659	Adoption Assistance Title IV-E
93.778	Medicaid Cluster

Qualified:

14.218	Community Development Block Grants/Entitlement Grants
20.205	Highway Planning and Construction Cluster
93.575, 93.596	Child Care and Development Fund Cluster
93.658	Foster Care Title IV-E

Unmodified:

14.239	HOME Investment Partnerships Program
14.248	Community Development Block Grant - Section 108 Loan Guarantees
66.458	Clean Water State Revolving Funds Cluster

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes

**City of Richmond, Virginia**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

June 30, 2015

Identification of major programs:

<u>CFDA/Grant Number/Identification Number</u>	<u>Name of Federal Program or Cluster</u>
10.561	SNAP Cluster
14.218	CDBG/Entitlement Grants
14.239	HOME Investment Partnerships Program
14.248	Community Development Block Grant - Section 108 Loan Guarantee
20.205	Highway Planning and Construction Cluster
66.458	Clean Water State Revolving Funds Cluster
93.558	TANF Cluster
93.575, 93.596	Child Care and Development Fund Cluster
93.658	Foster Care Title IV-E
93.659	Adoption Assistance Title IV-E
93.778	Medicaid Cluster

Dollar threshold used to distinguish between type A and type B programs:	\$1,604,322
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Auditee qualified as low-risk auditee-Federal?	No
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**SECTION II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**2015-001 – Accounting and Financial Reporting for Capital Assets – Material Weakness**

**Condition**

The City received a qualified opinion on its governmental activities opinion unit in its fiscal year 2014 independent auditors' report on its June 30, 2014 audited financial statements. The opinion was qualified as management was unable to determine the total amount of governmental activities' capital assets, including construction in progress. During fiscal year 2015, management implemented a corrective action plan to analyze each individual construction project with a balance during fiscal year 2014. This action plan included reviewing all documentation supporting each project and determining whether the recorded project balance was fairly presented. As a result of implementing the corrective action plan, the City recorded a restatement of \$18,472,680 to correct the previously recorded governmental activities' capital assets balances.

**Criteria**

The Committee of Sponsoring Organizations internal control framework indicates that a system of internal control is expected to provide an organization with reasonable assurance that those objectives relating to external reporting and compliance with laws and regulations will be achieved. Reporting objectives pertain to the preparation of reports for use by organizations and stakeholders. Reporting objectives may relate to

**City of Richmond, Virginia**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

June 30, 2015

financial or non-financial reporting and to internal or external reporting. Internal reporting objectives are driven by internal requirements in response to a variety of potential needs such as the entity's strategic directions, operating plans, and performance metrics at various levels. External reporting objectives are driven primarily by regulations and/or standards established by regulators and standard-setting bodies.

**Cause**

The City has identified numerous project managers with the primary operational responsibility to monitor the progress on construction projects. However, communication between those with operational responsibility for the construction projects and those charged with financial reporting responsibilities are insufficient. Accordingly the City's capital assets policies and procedures were insufficiently detailed to ensure that the capital assets recorded in the City's financial statements are fairly stated.

**Effect**

The insufficiency of the City's capital assets policies and procedures increases the risk that a material error in recorded fixed asset balances may not be prevented and detected by employees in the normal course of performing their assigned functions.

**Recommendation**

The City should institute a quarterly review procedure where the operational project managers meet with Department of Finance personnel to ensure that the outstanding project balance recorded in the City's general ledger is properly supported by documentation contained in the project files maintained by project managers.

**Management's Response**

Management concurs with the recommendation. The City had limited staffing during the fiscal year, but the Finance Department received funding in the FY2017 budget to fully staff previously vacant positions. In addition, the Department of Finance will review, assess and update (if needed) the Project & Grants module in RAPIDS. General government employees will receive additional training on the use of Projects & Grants module for the reporting of Capital Assets.

**2015-002 – Timeliness of Monthly and Annual Financial Reporting Process – Material Weakness**

**Condition**

The preparation of the Comprehensive Annual Financial Report (CAFR) is a complex process requiring the coordination and cooperation of numerous personnel, including those from various component units. For the June 30, 2015 CAFR, the City provided multiple drafts of the CAFR during the course of the audit.

**City of Richmond, Virginia**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

June 30, 2015

Through the execution of our audit testing, we determined that there were numerous routine monthly reconciliations that were not prepared timely. Certain reconciliations were not completed until after the end of the fiscal year as part of the annual financial reporting closing process conducted to prepare the CAFR. Examples of such routine monthly reconciliations which were not prepared timely include:

- Monthly cash account reconciliations
- Monthly investment account reconciliations
- Quarterly state disbursements report reconciliation
- Monthly real property tax receivable reconciliation
- Monthly personal property tax receivable reconciliation
- Monthly accounts payable/accrued liabilities reconciliation
- Monthly accrued wages reconciliation

**Criteria**

The Committee on Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Integrated Framework guidance, Chapter 7 establishes the principle that an “organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.” Furthermore, the guidance recommends “responsible personnel perform control activities in a timely manner as defined by the policies and procedures,” noting that “untimely procedures can reduce the usefulness of the control activity.”

**Cause**

The City has not instituted sufficient monitoring controls to ensure that such reconciliations are prepared, reviewed and approved timely.

**Effect**

Failure to perform routine reconciliations timely increases the risk that a material error in recorded balances may not be prevented and detected by employees in the normal course of performing their assigned functions. Further, the financial information provided to those charged with governance may not be accurate, timely or relevant.

**Recommendation**

We recommend that the Director of Finance develop a monthly financial reporting checklist that details all monthly reconciliations that should be prepared by City personnel, and reviewed and approved by Finance Department personnel. All policies and procedures governing those reconciliations should be updated to ensure that the processes result in timely and relevant information being provided to those charged with governance. Finally, we recommend that the Deputy Chief Administrative Officer (DCAO – Finance and Administration) require that the Director of Finance assert, quarterly, that all such reconciliations have been prepared, reviewed and approved.

**City of Richmond, Virginia**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

June 30, 2015

**Management's Response**

Management concurs with the recommendations. The City had limited staffing during the fiscal year, but the Finance Department received funding in the FY2017 budget to fully staff previously vacant positions.

**2015-003 – Processing of Routine Transactions – Material Weakness**

**Condition**

We determined that there were several significant accounting processes where routine transactions were not recorded timely. Examples are as follows:

- The City maintains several parking facilities throughout the City and receives funds daily from each location for the fees paid by parkers. We observed that sometimes these parking revenues were recorded daily, while, at other times, two or more days' worth of transactions were recorded in batches. We further observed that the inconsistent recordation of parking revenues made it more difficult to reconcile parking receipts to cash and credit deposits made to the City's financial institutions.
- When tying the audited FY2014 CAFR balances to the opening balances in the FY2015 CAFR and trial balance, we noted several material variances. After inquiring, we determined that while the City did record FY2014 recommended audit adjustments to the final FY2014 CAFR, the City failed to record these audit adjustments to the general ledger.
- The City uses suspense accounts in certain circumstances to "hold" transactions which require further research. However, these accounts are not reconciled timely throughout the year.
- As previously discussed in finding 2015-01, fixed asset transactions are maintained by project managers at various City departments; however, such transactions are not reconciled timely to the detailed fixed asset records maintained by the Finance Department throughout the year.

**Criteria**

The Committee on Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Integrated Framework guidance, Chapter 7 establishes the principle that an "organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels." Furthermore, the guidance recommends "responsible personnel perform control activities in a timely manner as defined by the policies and procedures," noting that "untimely procedures can reduce the usefulness of the control activity.

**Cause**

The City lacks sufficient monitoring controls to ensure that standard documented policies and procedures related to the recording of daily routine transactions are followed.

**City of Richmond, Virginia**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

June 30, 2015

**Effect**

Failure to record routine transactions timely increases the risk that a material error in recorded balances may not be prevented and detected by employees in the normal course of performing their assigned functions. Further, the financial information provided to those charged with governance may not be accurate, timely or relevant.

**Recommendation**

We recommend that the City develop, document and implement policies and procedures to ensure transactions are recorded timely. The City should also train employees on the new policies and procedures. Finally, the City should institute monitoring controls to ensure that these routine transactions are initiated, processed and recorded timely.

**Management's Response**

Management concurs with the recommendations. The City had limited staffing during the fiscal year, but the Finance Department received funding in the FY2017 budget to fully staff previously vacant positions.

**2015-004 – Accounting for Non-Routine Transactions – Material Weakness**

**Condition**

We determined that there were several significant non-routine transactions were not recorded properly or timely. Examples are as follows:

- The City maintains several parking facilities throughout the City and receives funds daily from each location for the fees paid by parkers. The City identified that these activities should be recorded in a separate enterprise fund; however, that fund was not established until well after the end of the fiscal year. Further, the City was initially unable to record completely the presentation and disclosure of the new fund in its draft CAFR.
- During fiscal year 2015, the City purchased from the Richmond Metropolitan Transit Authority the Diamond baseball stadium and associated land for \$10. The City failed to account for this transaction properly as it recorded the assets at the purchase price rather than at fair value as of the date of the transaction.
- The City refunded debt during the year as it was economically advantageous to do so. However, the City did not identify all of the proper disclosures that are associated with such a bond refunding in its draft CAFR.
- The City did not calculate capitalized interest on its construction work in progress during fiscal year 2015.

**City of Richmond, Virginia**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

June 30, 2015

**Criteria**

The Committee on Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Integrated Framework guidance, Chapter 7 establishes the principle that an “organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.” Furthermore, the guidance recommends “responsible personnel perform control activities in a timely manner as defined by the policies and procedures,” noting that “untimely procedures can reduce the usefulness of the control activity.”

**Cause**

There has been substantial turnover in the City’s Department of Finance over the last few fiscal years, resulting in a loss of institutional knowledge. Further, there are insufficient policies and procedures established by the Finance Department to identify transactions initiated by other City departments so that those transactions can be processed and recorded timely. Finally, Department of Finance personnel lack adequate GASB training to ensure that they are familiar with the accounting for such unique transactions.

**Effect**

Failure to record non-routine transactions timely increases the risk that a material error in recorded balances may not be prevented and detected by employees in the normal course of performing their assigned functions. Further, the financial information provided to those charged with governance may not be accurate, timely or relevant.

**Recommendation**

We recommend that the City establish policies and procedures where Finance Department personnel make inquiries of key City personnel, such as the Chief Administrative Officer, City Attorney, and Department Directors at least quarterly to identify any non-routine transactions that may need to be recorded or disclosed in the financial statements.

**Management’s Response**

Management concurs with the recommendations. The City had limited staffing during the fiscal year, but the Finance Department received funding in the FY2017 budget to fully staff previously vacant positions.

**City of Richmond, Virginia**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

June 30, 2015

**2015-005 – Misapplication of GAAP- Significant Deficiency**

**Condition**

As a result of various adjustments, it was noted that the City was not properly following certain generally accepted accounting principles. These matters are noted as follows:

- Generally accepted accounting principles defines liabilities as present obligations to sacrifice resources that the government has little or no discretion to avoid. Retainage payable represents a liability attributable to the acquisition, construction, or improvement of capital assets (in this case, construction in progress). During the course of the audit, it was noted that retainage payable was not being recorded. We recommend that the City recognize retainage payable on a prospective basis and include in its policies procedures to calculate retainage payable.
- GASB Statement No. 33, as amended, establishes accounting and financial reporting standards for nonexchange transactions. It identifies four classes of nonexchange transactions based on shared characteristics that affect the timing of recognition. One of the four classes of nonexchange transactions is government-mandated nonexchange transactions. Governments should recognize a receivable and revenue in connection with government-mandated nonexchange transactions often in the form of expenditure-driven grants when qualifying expenditures have been incurred. In governmental funds, revenue recognition must be deferred until amounts are available. It was noted for the City's Highway Planning and Construction grant, the City did not appropriately account for the grant activity when the qualifying expenditures of approximately \$4,700,000 were incurred during the fiscal year.
- The City has accounted for its Other Post Employment Benefit (OPEB) obligation as a long term liability at the government wide-government type activities level. However, the City did not record the government wide – business type activities and proprietary funds allocable portion of the OPEB obligation.

**Criteria**

Accounting standards require that transactions of an entity be accounted for in accordance with generally accepted accounting principles.

**Cause**

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

**Effect**

Failure to record transactions in accordance with generally accepted accounting principles increases the risk that a material error in recorded balances may not be prevented and detected by employees in the normal course of performing their assigned functions. Further, the financial information provided to those charged with governance may not be accurate or relevant.

**City of Richmond, Virginia**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

June 30, 2015

**Recommendation**

We recommend that the City establish a more thorough review process in addition to the establishment of written account analyses/process policies and procedures at all levels. Furthermore, we recommend that the City establish ongoing training for those individuals responsible for the accounting of these transactions as well as those departments required to provide information/details needed by the Finance Department to properly account for said transactions

**Management's Response**

Management concurs with the recommendation. The City had limited staffing during the fiscal year, but the Finance Department received funding in the FY2017 budget to fully staff previously vacant positions. In future years, the City will track and record those retainages that have not been paid at year end and record them as a liability, and Finance staff will work to properly segregate and report the aforementioned transactions, and also request additional actuary work in order to more specifically allocate OPEB obligations across funds.

**2015-006 – Segregation of Duties - Journal Entry Recording – Significant Deficiency**

**Condition**

It was noted that certain individuals within the accounting function with Super User status had the ability to prepare and post journal entries without a secondary approval which was not consistent with established policies.

**Criteria**

The City is required to establish and maintain a system of internal controls to ensure the financial transactions of the entity are appropriately accounted for.

**Cause**

The City lacked sufficient employee resources during the year to ensure the appropriate segregation of duties was maintained.

**Effect**

Failure to have a secondary approval of journal entries increases the risk of financial reporting errors or misappropriation of assets and does not allow for employees in the normal course of performing their assigned functions to prevent or detect errors.

**Recommendation**

We recommend that the City ensure that established policies are adhered to and enhance the policies to include provisions that ensure regardless of the staffing constraints that segregation of duties is always maintained. Additionally, consideration should be given to including features in the system that prevent the same user to prepare, post and approve an entry.

**City of Richmond, Virginia**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

June 30, 2015

**Management's Response**

Management concurs with the recommendation. The City had limited staffing during the fiscal year, but the Finance Department received funding in the FY2017 budget to fully staff previously vacant positions. A number of full-time general accounting positions have been filled with qualified employees subsequent to June 30, 2015, which should further ensure that proper segregation of duties occurs on a regular basis throughout the year.

**2015-007 – Information Technology Controls – Significant Deficiency**

**Condition**

We determined that there were several areas where there are significant deficiencies in information technology controls. Examples are as follows:

- Security Administration Segregation of Duties - The City's Department of Information Technology (DIT) is unable to identify the functions associated with user responsibilities and their conflicting duties, and therefore is unable to adequately assess the appropriateness of security administrative access and the segregation of conflicting duties relevant to security administration, or the appropriateness of the activities performed by users with security administrative access.
- New User Segregation of Duties - The City's DIT is unable to identify functions associated with user responsibilities and their conflicting duties, and therefore is unable to adequately assess the appropriateness of access granted to new users and the segregation of conflicting duties.
- Transferred User Segregation of Duties - The City's DIT is unable to identify the functions associated with user responsibilities and their conflicting duties, and therefore is unable to adequately assess the appropriateness of access modifications for transferred users and the segregation of conflicting duties.
- Removal of Terminated User Access - The City does not remove access of terminated employees in a timely manner. We noted that 58 individuals terminated from the City retained inappropriate access to Oracle after termination.
- User Access Rights Review - The City does not perform a comprehensive review of user access rights to ensure the appropriateness of user access. Rather, it is the responsibility of each individual City agency to request an ad hoc review of user access.
- Program Management Segregation of Duties - Individuals within DIT also perform financial user duties. We noted that three individuals residing within DIT with systems developer or systems developer lead duties also perform multiple financial user duties.
- Application Authentication - The City has not documented a password management policy and related minimum system security requirements (i.e. password complexity, password expiration, user inactivity lockout, etc.). Based upon inspection of the RAPIDS password configuration settings, we determined that password complexity settings are not enforced.

**City of Richmond, Virginia**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

June 30, 2015

**Criteria**

National Institute of Standards and Technology (NIST) Special Publication (SP) 800-53 Revision 4, "Recommended Security Controls for Federal Information Systems and Organizations", dated April 2013, page F-18, Section AC-5 (Separation of Duties) states, "The organization:

- a. Separates [Assignment: organization-defined duties of individuals];
- b. Documents separation of duties of individuals; and
- c. Defines information system access authorizations to support separation of duties."

Supplemental Guidance: Separation of duties addresses the potential for abuse of authorized privileges and helps to reduce the risk of malevolent activity without collusion. Separation of duties includes, for example: (i) dividing mission functions and information system support functions among different individuals and/or roles; (ii) conducting information system support functions with different individuals (e.g., system management, programming, configuration management, quality assurance and testing, and network security); and (iii) ensuring security personnel administering access control functions do not also administer audit functions.

National Institute of Standards and Technology (NIST) Special Publication (SP) 800-53 Revision 4 "Recommended Security Controls for Federal Information Systems and Organizations", dated April 2013, page F-18, Section AC-6 (Least Privilege) states, "The organization employs the principle of least privilege, allowing only authorized accesses for users (or processes acting on behalf of users) which are necessary to accomplish assigned tasks in accordance with organizational missions and business functions."

Supplemental Guidance: Organizations employ least privilege for specific duties and information systems. The principle of least privilege is also applied to information system processes, ensuring that the processes operate at privilege levels no higher than necessary to accomplish required organizational missions/business functions. Organizations consider the creation of additional processes, roles, and information system accounts as necessary, to achieve least privilege. Organizations also apply least privilege to the development, implementation, and operation of organizational information systems.

Control Enhancement 5: The information system prevents non-privileged users from executing privileged functions to include disabling, circumventing, or altering implemented security safeguards/countermeasures.

Supplemental Guidance: Privileged functions include, for example, establishing information system accounts, performing system integrity checks, or administering cryptographic key management activities. Non-privileged users are individuals that do not possess appropriate authorizations. Circumventing intrusion detection and prevention mechanisms or malicious code protection mechanisms are examples of privileged functions that require protection from non-privileged users.

**City of Richmond, Virginia**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

June 30, 2015

**Cause**

The City does not determine the appropriateness of access granted on a comprehensive listing of all Oracle user responsibilities and their associate functions, but rather, this determination is based on judgement. The City stated that due to the overwhelming amount of user responsibilities and functions, it would not be feasible to create this listing. Further, the City does not have sufficient policies and procedures, including monitoring controls, to ensure adequate segregation of duties.

**Effect**

Failure to ensure the segregation of conflicting duties can lead to personnel having excessive access privileges, which can potentially impact the integrity of data used in financial reporting. The lack of a formalized password management policy and minimum system security settings requirements can lead to unauthorized user gaining access to the system or user management being handled inconsistently. Thus, the effectiveness of passwords in protecting the system may be weakened.

**Recommendation**

We recommend the City implement formal procedures to periodically review user accounts for appropriateness of access. Users no longer requiring access should be removed, and access privileges outside of a user's assigned job responsibilities should be modified. The procedures and results from these review should be documented. We recommend that the City develop policies and procedures governing password management and minimum system security settings for the RAPIDS application. These security policies and procedures should incorporate guidance to cover password complexity settings, locking out of a session after a specified period of inactivity and locking an account after a predetermined number of invalid log-on attempts.

**Management's Response**

Management concurs with the recommendation. The City adopted ORACLE's standard password management and system security settings for the RAPIDS application. The adopted settings included procedures for complex password settings, locking out of a session after a specified period of inactivity and locking an account after a predetermined number of invalid log-on attempts. The City does not have design control over these elements as we would for a self-developed system. The Department of Information Technology will conduct a review of the current settings, to determine if there are options to match more closely these recommendations. To further assist with this effort, The City Administration contracted with Astyra Corporation to assist the City with reviewing existing access controls and making recommendations to ensure that conflicting/competing access is eliminated. That project is expected to be completed in January 2017 and alleviate the segregation of duty concerns.

**2015-008 – Failure to Comply with the Single Audit Act – Material Weakness and Material Noncompliance**

**Condition**

The City of Richmond is required to obtain a "Single Audit" of its expenditures of federal awards as it expended greater than \$500,000 in federal awards each fiscal year. As of October 31, 2016, the City had not yet issued its required Single Audit.

City of Richmond, Virginia

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

June 30, 2015

**Criteria**

U. S. Office of Management and Budget Circular A-133, section 320 requires the following:

*The audit shall be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section shall be submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.*

**Cause**

The City has not developed sufficient policies and procedures to ensure that amounts reported on the schedule of expenditures of federal awards (SEFA) are properly reconciled to the general ledger and supported by appropriate documentation. Reconciliations of amounts reported to the federal government by the City for each of its federal programs to the general ledger were not prepared timely or accurately. The SEFA is required to be reconciled to the general ledger and audited by the independent auditor, and it is used as the basis for determining which major programs are to be audited.

**Effect**

The City is not in compliance with the Single Audit Act and OMB Circular A-133. Failure to submit the required Single Audit reporting package could result in additional scrutiny of reimbursable expenditures by federal awarding agencies and, in extreme cases, jeopardize continued participation in those programs.

**Recommendation**

We recommend that the City implement policies and procedures to ensure that federal grant program reports submitted reconcile to the general ledger. This will ensure that the SEFA is complete and accurate, and it is available to the independent auditor to be used for major program selection.

**Management's Response**

Management concurs with the recommendation. The City had limited staffing during the fiscal year, but the Finance Department received funding in the FY2017 budget to fully staff previously vacant positions.

**SECTION III - FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS**

**Finding #: 2015 – 009**

<b>Program Title:</b> SNAP Cluster	<b>CFDA Number:</b> 10.561
TANF Cluster	93.558
Child Care and Development Fund Cluster	93.575, 93.596
Foster Care Title IV-E	93.658
Adoption Assistance Title IV-E	93.659
Medicaid Cluster	93.778

**Federal Award Number:** Various

**Federal Award Year:** 2015

**Federal Agency:** U.S. Department of Health and Human Services

**Pass-through Entity:** Virginia Department of Health and Human Services

**Type of Finding:** Scope Limitation and Material Weakness

City of Richmond, Virginia

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

June 30, 2015

**Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, Special Tests and Provisions-Payment Rate Setting and Application**

**Criteria or Specific Requirement:**

Both States and tribes are subject to the requirements of OMB cost principles in OMB Circular A-87 /2 CFR part 200, subpart E, as implemented by HHS at 45 CFR part 75. A cost is allowable for Federal reimbursement only to the extent of benefits received by Federal awards and its conformance with the general policies and principles stated in A-87, Attachment A.

**Condition:**

Richmond's Department of Social Services (DSS) was unable to reconcile the individual DSS programs reported on the Schedule of Expenditures of Federal Awards to a general ledger detail by program. The reconciliation process communicated by DSS was not functioning properly.

**Questioned Cost:**

Undeterminable.

**Context:**

Due to the scope limitation, the FY 15 expenditures could not be tested to determine if the activities and costs were allowable for the following DSS programs under audit:

<u>DSS Program</u>	<u>CFDA#</u>	<u>Expenditures</u>
TANF Cluster	93.558	\$ 4,728,297
Medicaid Cluster	93.778	5,564,252
Child Care and Development Fund Cluster	93.596	767,715
Foster Care Title IV-E	93.658	3,581,376
Adoption Assistance Title IV-E	93.659	2,835,231
SNAP Cluster	10.561	<u>4,635,033</u>
Total		\$ 22,111,906

In addition, the scope limitation affected our ability to test other compliance requirements as these compliance requirements also required a complete population of expenditures.

- Period of Performance for SNAP Cluster, Child Care and Development Fund Cluster, Medicaid Cluster
- Special Tests and Provisions – Payment Rate Setting and Application for Foster Care Title IV-E

**Effect:**

DSS lack of documentation to support the completeness of the expenditure population by program and related balances may result in noncompliance, costs disallowed by the grantor and/or a reduction in future funding.

City of Richmond, Virginia

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

June 30, 2015

**Cause:**

The City has not developed sufficient policies and procedures to ensure that amounts reported on the schedule of expenditures of federal awards are properly reconciled to the general ledger and supported by appropriate documentation. In addition, the general ledger system RAPIDS was not set up to include a grants module that would allow the capability to track expenditures by program.

**Recommendation:**

The City should implement a process that would allow the City to have the ability to obtain a detail of expenditures by program that reconciles to the general ledger and to the amounts that are reported in the Schedule of Expenditures of Federal Awards.

**Views of Responsible Officials and Corrective Action Plan:**

Contact Person: Director of Social Services

Anticipated Completion Date: January 2018

**Corrective Action:**

The agency agrees with the finding. The RAPIDS financial reporting system has been configured and is operational. The Department of Finance is going to re-deploy the system to accommodate the projects and grants module for the Department of Social Services which would allow the proper identification and tracking of federal expenditures to the programs which would reconcile to the general ledger.

Finance is in the process of engaging with an outside vendor to re-deploy in FY2017. A Finance Policies and Procedures manual is being drafted that will document the process.

**Finding #: 2015 – 010**

**Program Title:** Community Development Block Grants/Entitlement Grants

**CFDA Number:** 14.218

**Federal Award Number:** B14 MC 51 0019

**Federal Award Year:** 2015

**Federal Agency:** U.S. Department of Housing and Urban Development

**Pass-through Entity:** N/A

**Type of Finding:** Material Weakness and Material Noncompliance

**Activities Allowed or Unallowed and Allowable Costs/Cost Principles**

**Criteria or Specific Requirement:**

According to OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.

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 period certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory officer having firsthand knowledge of the work performed by the employee.

**City of Richmond, Virginia**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

June 30, 2015

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation that must: (1) reflect an after the fact distribution of the actual activity of each employee; (2) account for the total activity for which each employee is compensated; (3) be prepared at least monthly and must coincide with one or more pay periods; and (4) be signed by the employee.

**Condition:**

This program uses Payroll Action Forms (PAF) to account for the percentage of the employees' salaries and wages that should be charged to the program. We noted that some salaries charged to the program were not supported by a PAF. Additionally, we noted timesheets or periodic certifications were not prepared to adjust the employees' salaries or wages to those actually incurred for the program.

**Questioned Costs:**

Unknown.

**Context:**

Through testing performed the following was noted:

- Twenty (20) out of forty (40) payroll samples tested did not have a PAF in their employee file; therefore, there was no documented approval the employee was allowed to charge their time to the grant.
- Forty (40) out of forty (40) payroll samples tested did not have a personnel activity report or equivalent documentation reflecting the time charged to the grant. This was determined based on discussions with management that the PAF is the only source used to allocate an employee's salary to the grant.

**Effect:**

The lack of support documentation of salaries charged to the program causes the program to be noncompliant with specific grant conditions required by the federal agency, which could potentially lead to loss or return of funding for the program.

**Cause:**

Lack of effective management emphasis on the proper reporting of employee time charged to the program as evidenced by PAFs. Additionally, internal controls were not operating effectively to ensure that time as recorded on personnel activity report or equivalent documentation was processed and charged against the program consistent with the personnel activity report or equivalent documentation.

**Recommendation:**

We recommend that grant management place a greater emphasis on proper record keeping related to the PAFs. Additionally, we recommend greater emphasis on proper reporting and documentation of employee time and ensure the correct amount of salaries expense is charged to the program.

**Views of responsible officials and planned corrective actions:**

Contact Person: Director of Economic and Community Development

Anticipated Completion Date: March 2017

City of Richmond, Virginia

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

June 30, 2015

**Corrective Action:**

Payroll Action Forms (PAF) are used for the payments of non-hours to include but not limited to special payments, adjustments of leave balances, costing changes, separation payouts, and negative and positive adjustments through the RAPIDS Payroll Module.

To track actual costs with monthly time sheets for each employee, timesheets will be created and used as tracking mechanisms which will require a signed approval by the Program Managers to support and document the percentage of time associated and allocated to each program.

**Finding #: 2015 – 011**

**Program Title:** Community Development Block Grants/Entitlement Grants      **CFDA Number:** 14.218

**Federal Award Number:** B14 MC 51 0019

**Federal Award Year:** 2015

**Federal Agency:** U.S. Department of Housing and Urban Development

**Pass-through Entity:** N/A

**Type of Finding:** Material Weakness and Noncompliance

**Activities Allowed or Unallowed and Allowable Costs/Cost Principles**

**Criteria or Specific Requirement:**

According to 24 CFR Section 570.200, all activities undertaken must meet one of three national objectives of the CDBG Entitlement Grants program, i.e., benefit low- and moderate-income persons, prevent or eliminate slums or blight, or meet community development needs having a particular urgency. This includes a review and approval of the expenditures related to these activities to ensure expenditures are only charged for allowable activities.

OMB Circular A-87 establishes principles and standards for determining allowable direct and indirect costs for Federal awards. This includes a review and approval of the expenditures related to these costs to ensure expenditures are only charged for allowable costs/cost principles.

The A-102 Common Rule and OMB Circular A-110 require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition:**

The City of Richmond did not document approval for some expenditures and could not provide documentation for one expenditure.

**Questioned Costs:**

None reported.

**Context:**

Through testing performed the following was noted:

- Eight (8) out of the forty (40) samples tested did not have an approval attached to the expenditure documentation.

City of Richmond, Virginia

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

June 30, 2015

- One (1) out of forty (40) samples tested did not have any supporting documentation to substantiate the expenditure charged to the program.

**Effect:**

The lack of approval and documentation of expenditures charged to the program causes the program to be in noncompliance of specific grant conditions required by the federal agency, which could potentially lead to loss or return of funding for the program.

**Cause:**

There is a lack of effective management emphasis on the proper approval documentation for expenditures charged to the program. Additionally, internal controls were not operating effectively to ensure that approvals and supporting documentation for all expenditures charged to the program were obtained.

**Recommendation:**

We recommend that the City place a greater emphasis on proper record keeping related to the expenditures charged to the program and ensure the proper approval of expenditures is adequately documented.

**Views of responsible officials and planned corrective actions:**

Contact Person: Director of Economic and Community Development  
Anticipated Completion Date: January 31, 2017

**Corrective Action:**

Economic and Community Development is now required by the Department of Finance to provide documentation for all invoices regarding compliance of sub-recipients of the programs in order to comply with the requirements of Federal Awarded programs to reduce waste, fraud, abuse, and mismanagement

The dedicated employee within Finance (Grants Accounting Manager and/or the Assistant Controller) will enhance its efforts to review, approve, and verify the compliance of the direct and indirect expenditures related to the Federal programs before invoices are processed for payment.

**Finding #: 2015 – 012**

**Program Title:** Community Development Block Grants/Entitlement Grants      **CFDA Number:** 14.218

**Federal Award Number:** B14 MC 51 0019

**Federal Award Year:** 2015

**Federal Agency:** U.S. Department of Housing and Urban Development

**Pass-through Entity:** N/A

**Type of Finding:** Material Weakness

**Special Tests and Provisions - Wage Rate Requirements**

**Criteria or Specific Requirement:**

In accordance with 29 CFR section 5.5, Davis-Bacon Act (currently known as Wage Rate Requirements) requires that all contractors and subcontractors performing on federal contracts (and contractors or subcontractors performing on federally assisted contracts under the related Acts) in excess of \$2,000 pay their laborers and mechanics not less than the prevailing wage rates and fringe benefits listed in the contract's Davis-Bacon wage determination for corresponding classes of laborers and mechanics employed on similar projects

**City of Richmond, Virginia**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

June 30, 2015

in the area. Davis-Bacon labor standards clauses must be included in covered contracts. Each covered contractor and subcontractor must, on a weekly basis, provide the federal agency a copy of all payrolls providing the information listed under "Recordkeeping" for the preceding weekly payroll period. Each payroll submitted must be accompanied by a "Statement of Compliance." The contractor, subcontractor or the authorized officer or employee of the contractor or subcontractor who supervises the payment of wages must sign the weekly statement. Statements of Compliance are to be made on the form WH-347 "Payroll" on any form with identical wording. This must be completed within seven days after the regular pay date for the pay period.

**Condition:**

The City does not keep a comprehensive list of contractors and subcontractors used for all projects with Davis Bacon Act requirements. Therefore, a complete population of all contractors and subcontractors subjected to the Davis Bacon Act requirements was not available in order to verify if the City was in compliance with the requirements and had the appropriate controls in place to ensure compliance.

**Questioned Costs:**

Undeterminable.

**Context:**

The City had 6 projects using CDBG grant funds with Davis Bacon Act requirements. Each project had multiple contractors and subcontractors working on the projects that would be subject to compliance with the Davis Bacon Act that requires a weekly submission of certified payrolls. One project was selected and four certified payrolls were reviewed, noting no exceptions.

**Effect:**

Noncompliance with program requirements could lead to loss of funding for the program.

**Cause:**

The City does not keep a comprehensive list of contractors and subcontractors used for all projects with Davis Bacon Act requirements because, in their opinion, the population is too large to keep a comprehensive list. Additionally, the grant is made up of many projects with multiple contractors and subcontractors.

**Recommendation:**

We recommend the program personnel implement a tracking mechanism that includes a listing of all projects, the contractors and subcontractors for each project, and the time period of the contract to assist in monitoring the submission of certified payrolls and ensuring a complete population of the contractors and subcontractors. Additionally, we recommend program personnel collaborate with other City departments that are required to follow the provisions of the Davis Bacon Act to determine the methods they use to ensure compliance with the Act.

**Views of responsible officials and planned corrective actions:**

Contact Person: Director of Economic and Community Development

Anticipated Completion Date: July 2017

**Corrective Action:**

The Department of Economic and Community Development will develop and adapt relevant internal controls to provide reasonable assurance to comprise the plans, policies, methods and procedures used to meet the organization's mission, goals and objectives.

**City of Richmond, Virginia**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

June 30, 2015

The recommendation of a tracking mechanism that includes a listing of all projects, the contractors and subcontractors for each project, and the time period of the contract to assist in monitoring the submission of certified payrolls and ensuring a complete population of the contractors and subcontractors will be a collaboration between the Contractors, City of Richmond Procurement, and Economic and Community Development to ensure compliance.

**Finding #: 2015 – 013**

**Cluster Title:** Highway Planning and Construction Cluster

**CFDA Number:** 20.205

**Program Title:** Highway Planning and Construction (Federal Aid-Highway Program)

**Federal Award Number:** 500223, 500291, 500302

**Federal Award Year:** 2015

**Federal Agency:** U.S. Department of Transportation

**Pass-through Entity:** Virginia Department of Transportation

**Type of Finding:** Material Weakness and Noncompliance

**Special Tests and Provisions - Wage Rate Requirements**

**Criteria or Specific Requirement:**

In accordance with 29 CFR section 5.5, the Davis-Bacon Act (currently known as Wage Rate Requirements) requires that all contractors and subcontractors performing on federal contracts (and contractors or subcontractors performing on federally assisted contracts under the related Acts) in excess of \$2,000 pay their laborers and mechanics not less than the prevailing wage rates and fringe benefits listed in the contract's Davis-Bacon wage determination for corresponding classes of laborers and mechanics employed on similar projects in the area. Davis-Bacon labor standards clauses must be included in covered contracts. Each covered contractor and subcontractor must, on a weekly basis, provide the federal agency a copy of all payrolls providing the information listed under "Recordkeeping" for the preceding weekly payroll period. Each payroll submitted must be accompanied by a "Statement of Compliance." The contractor, subcontractor or the authorized officer or employee of the contractor or subcontractor who supervises the payment of wages must sign the weekly statement. Statements of Compliance are to be made on the form WH-347 "Payroll" on any form with identical wording. This must be completed within seven days after the regular pay date for the pay period.

**Condition:**

The City did not properly manage the oversight and receipt of certified payrolls from contractors and subcontractors.

**Questioned Costs:**

Undeterminable

**Context:**

- Fourteen (14) out of four hundred and ninety three (493) required weekly certified payrolls were not submitted.
- Three (3) out of four hundred and ninety three (493) there were no inspection logs to confirm whether or not a contractor was on site and there were no certified payrolls and compliance statements.
- Nine (9) out of four hundred and ninety three (493) certification statements were submitted without a signature.

**City of Richmond, Virginia**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

June 30, 2015

**Effect:**

The City's lack of compliance with the requirements could potentially lead to loss or return of funding or payment to contractors and subcontractor for wages that do not meet the prevailing wage rate requirements.

**Cause:**

The Office of Minority Business Development staff that is responsible for monitoring Davis Bacon, is only checking forms that are sent in. Staff assumed construction contractors were not onsite if certified payrolls were not submitted. There are no controls in place for following up to validate if contractors were onsite.

**Recommendation:**

The Office of Minority Business Development staff needs to work with Department of Public Works (DPW) to develop a process to identify which construction contractors are onsite each week. Additionally, when the required certified payroll and certifications are not submitted, department staff should follow up with the construction contractors to obtain documentation.

**Views of Responsible Officials and Planned Corrective Action:**

Contact person: Director of Public Works

Anticipated Completion Date: January 2018

**Corrective Actions:**

The Office of Minority Business Development and the Department of Public Works will take the recommendation and work together to create a process that will be implemented by January 2018. The process will include steps related to follow-up.

The Department of Public Works will develop and adapt relevant internal controls to provide reasonable assurance to comprise the plans, policies, methods and procedures used to meet the organization's mission, goals and objectives.

The recommendation of a tracking mechanism for wage determination for corresponding classes of laborers and mechanics employed on similar projects in the area that includes a listing of all projects, the contractors and subcontractors for each project, and the time period of the contract to assist in monitoring the submission of certified payrolls will be a collaboration between the Contractors and Public Works to ensure compliance.

**Finding #: 2015 – 014**

**Cluster Title:** Highway Planning and Construction Cluster

**CFDA Number:** 20.205

**Program Title:** Highway Planning and Construction (Federal Aid-Highway Program)

**Federal Award Number:** 500223, 500235, 500302, 500313

**Federal Award Year:** 2015

**Federal Agency:** U.S. Department of Transportation

**Pass-through Entity:** Virginia Department of Transportation

**Type of Finding:** Material Weakness and Material Noncompliance

**Activities Allowed or Unallowed/Allowable Costs and Cost Principles**

**City of Richmond, Virginia**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

June 30, 2015

**Criteria or Specific Requirement:**

Per 23 CFR sections 1.9, 630.106, and 630.205, “Federal funds can be used only to reimburse costs that are (a) incurred subsequent to the date of authorization to proceed, except for certain property acquisition costs permitted under 23 USC 108; (b) in accordance with the conditions contained in the project agreement and the plans, specifications, and estimates (PS&E); (c) allocable to a specific project; and (d) claimed for reimbursement subsequent to the date of the project agreement.”

**Condition:**

Instances were noted where the City did not provide supporting documentation for expenses charged to the grant. Additionally, there were noted instances where there was no evidence of approval for payment.

**Questioned Costs:**

\$51,725 (Invoices that could not be tested)

**Context:**

Of the eighty-one (81) invoices selected for testing the following exceptions were noted:

- There was no supporting documentation for seven (7) of the expense transactions charged to the program. The dollar amount of these expense transactions with no supporting documentation totaled \$51,725.
- Twenty-two (22) invoices did not include evidence of project manager or department manager approval for payment.

**Effect:**

Unallowable costs may be paid by the City as the proper personnel are not signing off on the invoices indicating their approval. The State may not reimburse the costs, causing the City to pay more for the projects than budgeted.

**Cause:**

The City did not have controls designed to ensure adequate supporting documentation was maintained for expenses and to ensure proper evidence of review and approval.

**Recommendation:**

The City should maintain all supporting documentation related to expenses for the program in order to support the incurred cost/payments. DPW should ensure all invoices are reviewed and approved prior to paying the invoices.

**Views of Responsible Officials and Planned Corrective Action:**

Contact Person: Director of Public Works

Anticipated Completion Date: January 2018.

**Corrective Action:**

Management will ensure the requested reimbursement includes supporting documents (e.g. invoices) that have been approved (signed & dated) by the authorized personnel.

City of Richmond, Virginia

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

June 30, 2015

The Department of Public Works will develop and adapt relevant internal controls to provide reasonable assurance to comprise the plans, policies, methods and procedures used to meet the project's mission, goals and objectives.

**Finding #: 2015 – 015**

**Cluster Title:** Highway Planning and Construction Cluster

**CFDA Number:** 20.205

**Program Title:** Highway Planning and Construction (Federal Aid-Highway Program)

**Federal Award Number:** 500302, 500313, 500511

**Federal Award Year:** 2015

**Federal Agency:** U.S. Department of Transportation

**Pass-through Entity:** Virginia Department of Transportation

**Type of Finding:** Material Weakness

**Cash Management**

**Criteria or Specific Requirement:**

The requirements for cash management are contained in the A-102 Common Rule (§\_\_\_\_.21), OMB Circular A-110 (2 CFR section 215.22), Treasury regulations at 31 CFR part 205, program legislation, Federal awarding agency regulations, and the terms and conditions of the award. As part of the control activities, segregation of duties is a fundamental component of a well-designed system of internal controls.

**Condition:**

Requests for reimbursement are not reviewed or approved prior to being submitted to the grantor agency.

**Questioned Costs:**

None reported

**Context:**

Out of thirteen (13) reimbursement requests in the population, four (4) reimbursement requests reviewed had a lack of adequate segregation of duties as the same person prepared and submitted the reimbursement request without a secondary review or approval.

**Effect:**

The City did not have appropriate cash management controls over reimbursement requests which could lead to noncompliance and to a potential loss of funding. A lack of adequate segregation of duties could lead to errors or inaccurate reporting to the State.

**Cause:**

An adequate segregation of duties does not exist for the reimbursement process. Also, the City is responsible for processing reimbursements and lost the ability to run expenditure reports (both non-payroll and payroll) when the City transitioned to the Revenue Accounts Processing Integrated Development System, a general ledger system. Therefore, they were unable to identify expenditures charged to the projects during FY2015 and had to rely on project managers to identify the expenditures for reimbursement.

**City of Richmond, Virginia**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

June 30, 2015

**Recommendation:**

The City should design and implement a system of internal controls that ensures proper segregation of duties. An individual with knowledge of the terms of the agreement, other than the preparer, should be reviewing and approving reimbursement requests.

**Views of Responsible Officials and Planned Corrective Action:**

Contact Person: Director of Public Works

Anticipated Completion Date: January 2018.

**Corrective Action:**

Before submitting the reimbursement package, management will ensure the reimbursement package has been signed and dated as evidence of approval.

The Department of Public Works will develop and adapt relevant internal controls to provide reasonable assurance to comprise the plans, policies, methods and procedures used to meet the program's mission, goals and objectives.

**Finding #: 2015 – 016**

**Cluster Title:** Clean Water State Revolving Funds Cluster

**CFDA Number:** 66.458

**Program Title:** Capitalization Grants for Clean Water State Revolving Funds

**Federal Award Number:** C-515430-02, C-515491E-02

**Federal Award Year:** 7/1/10 – 6/30/16; 3/5/15 – 12/31/16

**Federal Agency:** Environmental Protection Agency

**Pass-through Entity:** Virginia Department of Environmental Quality

**Type of Finding:** Material Weakness and Noncompliance

**Special Tests and Provisions - Wage Rate Requirements**

**Criteria or Specific Requirement:**

In accordance with 29 CFR Section 5.5, the Davis-Bacon Act (currently known as Wage Rate Requirements) requires that all contractors and subcontractors performing on federal contracts (and contractors or subcontractors performing on federally assisted contracts under the related Acts) in excess of \$2,000 pay their laborers and mechanics not less than the prevailing wage rates and fringe benefits listed in the contract's Davis-Bacon wage determination for corresponding classes of laborers and mechanics employed on similar projects in the area. Davis-Bacon labor standards clauses must be included in covered contracts. Each covered contractor and subcontractor must, on a weekly basis, provide the federal agency a copy of all payrolls providing the information listed under "Recordkeeping" for the preceding weekly payroll period. Each payroll submitted must be accompanied by a "Statement of Compliance." The contractor, subcontractor or the authorized officer or employee of the contractor or subcontractor who supervises the payment of wages must sign the weekly statement. Statements of Compliance are to be made on the form WH-347 "Payroll" on any form with identical wording. This must be completed within seven days after the regular pay date for the pay period.

**Condition:**

The City did not properly manage the oversight and receipt of certified payrolls from contractors and subcontractors.

**City of Richmond, Virginia**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

June 30, 2015

**Questioned Costs:**

Undeterminable

**Context:**

Testing was performed on the one (1) prime construction contractor and four (4) of twelve (12) subcontractors for the WWTP NRP Contract #5 and the one (1) prime construction contractor and two (2) subcontractors for the CSO #14 Contract. The following exceptions were noted:

- There were five (5) instances out of two hundred and seventy five total samples tested where payroll reports were not submitted timely.

**Effect:**

The City's lack of compliance with the requirements could potentially lead to loss or return of funding or payment to contractors and subcontractor for wages that do not meet the prevailing wage rate requirements.

**Cause:**

A lack of functioning controls over expenditure documentation retention as Department of Public Utilities (DPU) personnel did not ensure that the Construction Management Contractor (CMC) was maintaining required records.

**Recommendation:**

DPU should periodically review all Davis-Bacon Act records maintained at CMC for completeness and compliance with federal documentation requirements.

**Views of Responsible Officials and Planned Corrective Action:**

Contact Person: T. Wayne Lassiter

Anticipated Completion Date: N/A

**Corrective Action:**

We do not concur. The Department of Public Utilities (DPU) believes it was materially compliant with the Davis-Bacon Act requirements. The City's bid documents contain the Virginia DEQ VCWRLF Contract Inserts, which include the necessary Davis-Bacon requirements and the appropriate Wage Determination. Our prime and sub-contractors were aware of the requirement to submit weekly certified payroll information and our construction management consultant, ARCADIS, was assigned the task of monitoring and maintaining the contractors' submission of weekly certified payroll reports, reviewing those reports to ensure that the wages paid met or exceeded the levels specified in the Wage Determination, and conducting periodic interviews with workers to verify compliance. These tasks were performed and a monthly Davis-Bacon Compliance Report was prepared and sent to the City's project manager and the prime contractor. When needed, additional compliance follow-up with the contractor was conducted through various means of communication including emails, phone calls, or weekly in-person construction progress meetings.

**City of Richmond, Virginia**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

June 30, 2015

OMB Circular No. A-133 Compliance Supplement for Davis-Bacon Act contains three bulleted control activities:

- Contractors informed in the procurement documents of the requirements for prevailing wage rates.
- Contractors and subcontractors required to submit certifications and copies of payrolls which meet the requirements to pay prevailing wage rates.
- Contractors' and subcontractors' payrolls monitored for compliance with prevailing wage rates.

We believe that DPU was compliant with these control activities. We do not dispute that some of the weekly payroll reports were submitted late, however DPU has virtually no control of the payroll reporting operations of either our prime contractor or their numerous subcontractors, many of whom are relatively small businesses with limited administrative resources. In all instances where payroll reports were not submitted in a timely manner, our construction manager informed and followed-up with the prime contractor until the delinquent reports were submitted. In all cases the late reports were either submitted or determined not to be needed because no site work was performed for that week. While this might be construed as a violation of the letter of the act, we believe that we effectively adhered to the intent and we do not feel that this is a material weakness. Beyond the actions taken by the City to ensure payroll reports were submitted in a timely manner, we do not believe that more heavy handed enforcement actions such as withholding payments or contract termination were warranted.

The overarching objective of the Davis-Bacon act is to ensure that laborers are paid no less than the locally prevailing wages and fringe benefits for corresponding work on similar projects in the area as defined by the appropriate Wage Determination published by the DOL Wage Rate Division. In nearly all payroll reports received and reviewed, this was the case. In the very few instances where the wages did not meet the Davis-Bacon requirement, it was flagged, brought to the attention of the contractor and tracked until the worker was paid the back due wages and the corrective action was properly documented.

It should also be noted that the Virginia DEQ, which administers the Virginia Clean Water Revolving Loan Program, conducted regular periodic oversight inspections of both the WWTP NRP Contract #5 and CSO 14 Regulator Project. Those inspections included reviewing the Davis-Bacon record keeping and compliance activities conducted by the City's construction manager and they deemed our record keeping and compliance monitoring efforts acceptable.

**Finding #: 2015 – 017**

**Cluster Title:** Clean Water State Revolving Funds Cluster

**CFDA Number:** 66.458

**Program Title:** Capitalization Grants for Clean Water State Revolving Funds

**Federal Award Number:** C-515430-02, C-515491E-02

**Federal Award Year:** 7/1/10 – 6/30/16; 3/5/15 – 12/31/16

**Federal Agency:** Environmental Protection Agency

**Pass-through Entity:** Virginia Department of Environmental Quality

**Type of Finding:** Material Weakness and Noncompliance

**Cash Management**

**City of Richmond, Virginia**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

June 30, 2015

**Criteria or Specific Requirement:**

According to the Financing Agreement for CSO Contract #14 Exhibit E “To the extent the Borrower will not apply the amounts requested by this Requisition to reimburse itself for the payment of Project Costs already paid, the Borrower will spend such amounts on Project Costs within five banking days following the Borrower’s receipt of such amounts.”

**Condition:**

The City did not make payment on project costs that had not yet been paid within five banking days following receipt of reimbursement.

**Questioned Costs:**

None reported

**Context:**

Of the four (4) Requisitions for Disbursement selected for testing, the following exception was noted:

- One requisition for disbursements (reimbursements) included two payments totaling \$24,331.02 for which payments had not been made. Receipts were remitted to the City on 6/19/2015; however, checks for these two payments were not processed until 7/8/15 and 6/29/15, which is not in compliance with the financing agreement.

**Effect:**

The City is in violation of the Financing Agreement terms for the CSO Contract 14, and the City’s lack of compliance with the requirements could potentially lead to loss or return of funding.

**Cause:**

There is no control in place to ensure that in the case of payments not made prior to request for reimbursement that they are made within 5 days of receipt, in accordance with the terms of the agreement. Invoices are captured and requested for reimbursement once the invoice is approved and not upon payment of the invoice, and program personnel were not aware of the five day time requirement.

**Recommendation:**

We recommend program personnel request reimbursement for project costs already paid to mitigate the potential for not paying project costs within the required timeframe as outlined in the financing agreement. In addition, program personnel should establish procedures to ensure that payment of the project costs are made within the five day time requirement.

**Views of Responsible Officials and Planned Corrective Action:**

Contact Person: T. Wayne Lassiter

Completion Date: October 2, 2016

**Corrective Action:**

We concur with the above findings regarding the two (2) payments not made to vendor within the five business days as required by the terms of the Financing Agreement for CSO Contract #14, Exhibit E. To ensure future compliance, the department has revised its requisition process for reimbursement to include only project expenditures that have been paid.

City of Richmond, Virginia

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
June 30, 2015

**Finding #: 2015 – 018**

**Cluster Title:** Temporary Assistance for Needy Families (TANF) Cluster **CFDA Number:** 93.558

**Program Title:** Temporary Assistance for Needy Families (TANF)

**Federal Award Number:** FAM-12-084-28

**Federal Award Year:** 2015

**Federal Agency:** U.S. Department of Health and Human Services

**Pass-through Entity:** Virginia Department of Health and Human Services

**Type of Finding:** Material Weakness and Material Noncompliance

**Eligibility**

**Criteria or Specific Requirement:**

Per 45 CFR Section 260.31 (a). Participants in the Temporary Assistance for Needy Families must meet specified eligibility criteria to receive program assistance.

**Condition:**

The City did not comply with the program's eligibility requirements.

**Questioned Costs:**

Undeterminable

**Context:**

Of the forty (40) participants selected for testing, the following four (4) exceptions were noted:

- One (1) participant file was missing supporting documentation.
- One (1) participant file was transferred to a different locality. Per discussion with the City, it is DSS policy to keep records of a case file if a participant has transferred to a different locality via a Case Record Transfer Form that is filled out and signed by an agency representative. These individuals were missing a Case Record Transfer Form.
- Two (2) participant files were missing from DSS case records and could not be located.

**Effect:**

The City's lack of supporting documentation may result in costs disallowed by the grantor or reduced future funding for this program.

**Cause:**

The department did not have proper functioning controls over participant documentation retention to support participant eligibility.

**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 the City and federal record retention requirements.

**Views of Responsible Officials and Planned Corrective Action:**

Contact Person: Director of Social Services

Anticipated Completion Date: July 2016

**City of Richmond, Virginia**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

June 30, 2015

**Corrective Action:**

The agency agrees with the finding. In 2016, the agency implemented a more enhanced supervisor review/case staffing to ensure documentation is properly filed and supporting documentation is contained in the participant files.

**Agency Response:**

The agency agrees that the Case Record Transfer Form was missing in the referenced file. However, VDSS does not require that the sending agency maintain a copy.

**Corrective Action:**

The Virginia Department of Social Services requires the original Case Record Transfer Form be submitted with the participant file upon transfer to another locality. VDSS does not require a copy of the Case Record Transfer Form be kept by the sending locality; however it was a practice of Richmond Social Services to maintain a copy. That practice has been discontinued. With the implementation of VaCMS (the new VDSS case management system) in 2016, all TANF applications will be maintained in the system electronically, along with supporting documentation.

**Finding #: 2015 – 019**

**Program Title:** Adoption Assistance Title IV-E

**CFDA Number:** 93.659

**Federal Award Number:** N/A

**Federal Award Year:** 2015

**Federal Agency:** U.S. Department of Health and Human Services

**Pass-through Entity:** Virginia Department of Health and Human Services

**Type of Finding:** Material Weakness and Material Noncompliance

**Eligibility**

**Criteria or Specific Requirement:**

Adoption assistance subsidy payments may be paid on behalf of a child only if all of the eligibility requirements are met as outlined in 42 USC 673, Adoption and guardianship assistance program.

**Condition:**

The City of Richmond's Department of Social Services (RDSS) was not able to provide adequate supporting documentation to determine eligibility for the selected participants.

**Questioned Costs:**

Adoption assistance subsidy payments totaling \$39,634 paid on behalf of selected participants.

**Context:**

Through testing performed, we noted two (2) out of the forty (40) cases sampled did not contain any information (i.e. dates reports were requested/received) on a background and child abuse/neglect check. One (1) out of the forty (40) cases sampled did not contain a copy of or reference to a removal order. Lastly, one (1) out of the forty (40) cases sampled was found during a yearly review to be ineligible for Federal funds while in RDSS' custody. The participant, however, received Title IV-E payments throughout fiscal year 2015.

**Effect:**

Lack of supporting documentation may result in ineligible participants receiving Federal assistance.

**City of Richmond, Virginia**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

June 30, 2015

**Cause:**

Policies and procedures related to determining eligibility and maintaining documentation have changed over the years. Several of the selected files involve cases that predate these changes. As such, some of these files lacked adequate documentation of compliance with eligibility requirements and the City did not have proper controls designed to ensure participants were eligible to participate in the program.

**Recommendation:**

RDSS needs to review eligibility determinations to ensure all compliance requirements are being addressed appropriately. In addition, RDSS should review files that predate 2013 to ensure documentation is complete and current.

**Views of Responsible Officials and Planned Corrective Action:**

Contact Person: Director of Social Services

Completion Date: June 2017

**Corrective Action:**

The agency agrees with the findings.

The agency agrees that for two (2) of the cases reviewed, the Report of Investigation did not reference whether or not a criminal background check or child abuse/neglect check had been completed; the VDSS policy did not require that ROIs reference whether or not those background checks had been completed until 2014, when the policy changed with the state. The cases referenced predate the implementation of the policy change and background checks were kept separately, in the Foster Parent/Resource Family files. The agency was unable to locate those files.

The agency agrees that one (1) of the forty cases reviewed did not contain a copy of or reference to the removal order. In the case referenced, the removal order was issued in 1994 and the agency was unable to obtain a copy from the court.

The agency agrees that one (1) of the forty cases was determined to be Title IV-E ineligible when the child came into RDSS' care, but received Title IV-E payments during fiscal year 2015. The Virginia Department of Social Services identified the issue during an audit in 2015. On May 8, 2015 the agency corrected the error to ensure the case was properly state-funded and not federal Title IV-E funded.

The agency is reviewing and updating records management practices and archiving to ensure proper document storage and retrieval. The agency's practices have changed significantly over the years and the case workers now obtain copies of court orders at the conclusion of the hearing. The agency utilizes more stringent supervisory review to ensure eligibility for Title IV-E is appropriate.

**Finding #: 2015 – 020**

**Cluster Title:** Medicaid Cluster

**CFDA Number:** 93.778

**Program Title:** Medical Assistance Program

**Federal Award Number:** N/A

**Federal Award Year:** 2015

**Federal Agency:** U.S. Department of Health and Human Services

**Pass-through Entity:** N/A

**Type of Finding:** Material Weakness and Material Noncompliance

**City of Richmond, Virginia**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

June 30, 2015

**Eligibility**

**Criteria or Specific Requirement:**

Per 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.

**Condition:**

The City did not comply with the program's eligibility requirements.

**Questioned Costs:**

Undeterminable

**Context:**

Of the forty (40) participants selected for testing, the following four (4) exceptions were noted:

- One (1) participant file was transferred to a different locality. Per discussion with the City, it is DSS policy to keep records of a case file if an individual receiving Medicaid is transferred to another locality via a Case Record Transfer Form, which is to be filled out and signed by an agency representative. This individual was missing a Case Record Transfer Form.
- One (1) participant file was missing documentation that verification eligibility was completed.
- Two (2) participant files were missing evidence of renewal and any evidence of verification of eligibility.

**Effect:**

The City's lack of supporting documentation, prevents the determination on compliance, which may result in costs disallowed by the grantor or reduced future funding for this program.

**Cause:**

The department did not have proper functioning controls over participant documentation retention to support participant eligibility.

**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 the City and federal record retention requirements.

**Views of Responsible Officials and Planned Corrective Action:**

Contact Person: Director of Social Services

Anticipated Completion Date: May 2017

City of Richmond, Virginia

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

June 30, 2015

**Corrective Action:**

The agency agrees that one participant file was missing documentation verifying how eligibility had been determined and the agency agrees that two participant files were missing documentation of renewal and evidence of how eligibility had been verified. The agency has implemented a more enhanced supervisor supervision practice. This documentation is now required to be maintained in the VaCMS electronic case management system.

**SECTION IV - FINDINGS AND QUESTIONED COSTS RELATED TO COMPLIANCE WITH COMMONWEALTH OF VIRGINIA LAWS, REGULATIONS, CONTRACTS, AND GRANTS**

**2015-APA 01: Virginia Initiative for Employment not Welfare (“VIEW”) Payments**

**Criteria:**

The Virginia Initiative for Employment not Welfare (“VIEW”) program provides benefits to eligible individuals. The program requires the local government to determine eligibility for the participants and verify that only qualified expenditures are made under the program.

**Condition:**

For seven of thirty sampled transactions, the case files for the respective individuals did not contain the proper support for the payments made under the VIEW program. The following exceptions were noted:

- Four of the seven files could not be located by the Department of Social Services (“DSS”)
- Two of the seven files did not contain the required eligibility determination for the participant
- One of the seven files did not contain invoice support for the selected expenditure.

**Cause:**

Management did not maintain the proper documentation for the expenditures.

**Effect:**

The expenditures identified could not be verified as eligible for the VIEW program.

**Recommendation:**

We recommend that DSS establish procedures for the preparation and retention of applicant and participant files. These procedures can include a checklist for the documents that should be included in the file, as well as a tracking system for the applicants.

**Views of responsible officials**

Social Services Deputy Director of Economic Support and Independence: The agency agrees with this finding.

**Corrective Action:**

The agency will review the policy regarding how files are stored and cataloged off-site to ensure prompt retrieval. The agency will reiterate the policy requirements with Supervisors and expectations for review when staffing cases with employees. Supervisors will monitor cases for compliance. TANF cases are currently being transitioned to the Virginia Case Management System (VaCMS), this will allow for more efficient tracking and retention of supporting documentation; as the system tracks this information. This transition is moving towards electronic case file management. (May 2017)

City of Richmond, Virginia

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
June 30, 2015

**2015-APA 02: Department of Social Services Supplemental Support Services Reimbursements**

**Criteria:**

The City's DSS is required to identify cases receiving supplemental support payments. The payments are to be deposited into segregated accounts and are used to reimburse the local treasurer for support payments.

**Condition:**

DSS was properly depositing funds into the segregated accounts; however, there were no monthly withdrawals made from these accounts to reimburse the treasurer of the City as required.

**Cause:**

Management did not implement proper procedures to comply with the requirements for supplemental payments.

**Effect:**

The City was not in compliance with the supplemental support payments requirements.

**Recommendation:**

We recommend that DSS institute a system to track the required reimbursement. The tracking system should include a schedule where the reimbursement payments are made at regular intervals.

**Views of responsible officials**

Social Services Deputy Director of Finance and Administration: The agency agrees with the finding. In FY2016, the agency developed a process and procedure to track reimbursements from the dedicated account.

**Corrective Action:**

The agency will make the requisite reimbursements quarterly. Implementation will begin in the 3rd quarter of fiscal year 2017.

**2015-APA 03: Virginia Department of Social Services ("VDSS") LASER Reporting for SNAPET**

**Criteria:**

The City is required to record SNAPET expenditure in specific LASER cost codes.

**Condition:**

Two of twenty-nine items sampled were recorded in the wrong LASER code.

**Cause:**

DSS personnel input the purchase requests into Harmony using inappropriate LASER cost code. This caused payments to these vendors to be charged to the incorrect LASER code.

**Effect:**

The City could be subjected to VDSS withholding their reimbursement of expenses for the following LASER period.

City of Richmond, Virginia

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

June 30, 2015

**Recommendation:**

We recommend that the City periodically review the identification of payments to LASER codes to ensure that expenses are recorded in the proper code.

**Views of responsible officials**

Social Services Deputy Director of Finance and Administration: The agency agrees that the two invoices were paid incorrectly within Harmony, however, there was no impact to the agency's monthly LASER reimbursement.

**Corrective Action Plan:**

The agency will conduct period audits to ensure the appropriate Harmony service codes are assigned to transaction with the vendor and provide refresher training for staff. (May 2017)

**2015-APA 04: Department of Social Services LASER Reconciliation (repeat of finding 2014-015)**

**Criteria:**

DSS is required to reconcile the expenditures per the social services warrant registers and the local reimbursements to the City's financial records monthly per Section 3.60 LASER Expenditure Reconciliation and Certification.

**Condition:**

The City did not perform the required reconciliations.

**Cause:**

DSS and the City did not implement the proper procedures to verify that the required reconciliations were performed. The City is unable to verify that the DSS expenditures are properly recorded in the City's financial records.

**Effect:**

The City could be subjected to VDSS withholding their reimbursement of administrative expenses for the following LASER period.

**Recommendation:**

We recommend that the City and DSS establish procedures that incorporate the required reconciliations into the monthly financial close process.

**Views of responsible officials**

Social Services Deputy Director of Finance and Administration: The agency agrees with this finding.

**Corrective Action:**

In FY2017, this agency met with the City of Richmond's Finance Department to discuss the DSS reconciliation process, as documented in the DSS internal policies and procedures. A draft of this agency's policy and procedure manual is being reviewed and will be finalized no later than June 30, 2017.

City of Richmond, Virginia

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
June 30, 2015

**2015-APA 05: Department of Social Services Computer System Access**

**Criteria:**

DSS is required to maintain security over employee access to computer based request forms and employee access to certain system applications.

**Condition:**

DSS was unable to provide properly authorized access forms for the following system access applications:

- ADAPT – nine of sixteen items sampled
- OASIS – one of nine items sampled
- VaCMS – nine of thirteen items sampled
- SPIDeR – six of seventeen items sampled
- No Access – one of five items sampled

**Cause:**

DSS did not maintain proper files to support employee system access.

**Effect:**

Employees may improperly access confidential recipient data or authorize improper payments.

**Recommendation:**

We recommend that DSS implement procedures for the preparation and retention for individual computer access documentation. The documentation should include which programs the individual is authorized to access and the approval for all access. We also recommend that DSS institute spot reviews of individual computer access.

**Views of responsible officials**

Social Services Director and Deputy Director of Finance and Administration: The agency agrees with the finding. Effective FY2016, the agency instituted an electronic approval and storage process for all security access forms. Access to the forms is restricted and the forms are cataloged by year.

**Corrective Action:**

The agency will conduct semi-annual reviews of user access to ensure that security forms are updated and match current system access.

**2015-APA 06: Department of Social Services Computer System Access (repeat of finding 2014-014)**

**Criteria:**

Section 15.2-2511 of the Code of Virginia requires DSS to immediately remove the terminated employees access privileges from all systems that they were authorized to use. The City has adopted a policy of removing privileges within three days of termination.

**City of Richmond, Virginia**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

June 30, 2015

**Condition:**

Ten of thirty terminated employees sampled did not have their system access removed within three days of their separation date as mandated by policy.

**Cause:**

Termination dates were not reported in a timely manner to the system administrator to timely remove access.

**Effect:**

Employees may improperly access confidential recipient data or authorize improper payments.

**Recommendation:**

The City should implement corrective action to enhance the controls and communication of terminated DSS employees to the system administrator to ensure the removal of computer access privileges in a timely manner.

**Views of responsible officials**

Social Services Director: The agency agrees with the finding and recommendation.

**Corrective Action:**

Staff continues to refine the agency's notice of termination process to ensure that the local security officer receives timely notification. Since FY2016, the process has been to establish work orders, and assign the technical staff a work order to remove the terminated employee's system access. The process has been amended to include a procedure for notification of provisional and contract employee terminations from the appropriate program manager.

Anticipated completion date - February 28, 2017

**2015-APA 07: Department of Social Services Computer Training**

**Criteria:**

DSS employees are required to meet minimum initial and annual computer training. Any employee not meeting the training requirements is required to be locked out of the computer system until the required trainings are completed.

**Condition:**

One of thirteen employees sampled with access to the computer system did not complete the required annual training.

**Cause:**

DSS did not follow proper procedures to verify that all employees completed the required training, and that any employee who did not complete the training were locked out of the system. The employee who did not complete the required annual training was on medical leave, but still maintained access.

**Effect:**

Employees may improperly access confidential recipient data or authorize improper payments.

City of Richmond, Virginia

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

June 30, 2015

**Recommendation:**

We recommend that DSS emphasize the current procedures used to track employee computer training. We also recommend that DSS review and develop, if needed, policies for employees on extended leave.

**Views of responsible officials**

Social Services Director and Deputy Director of Finance and Administration: The agency agrees with the finding, in that the one employee, of the thirteen sampled, who did not complete the requisite training was not locked out of the system. The one employee identified in the finding was known to the agency, however, the agency failed to suspend system access for an employee on extended medical leave and therefore, unable to complete the requisite training.

**Corrective Action:**

The agency will update the policy and procedures to address the issue of employees on extended leave and system access and training. Since FY2016, all accounts that have not completed the required training by the deadline time are suspended. (May 2017)

**2015-APA 08: Conflict of Interest (repeat of finding 2014-016)**

**Criteria:**

Chapter 31 (Section 2.2-3100 et. seq.) of the Code of Virginia contains the State and Local Government Conflict of Interests Act. The nature of this act requires local government officials to file a statement of economic interests with the office of the Virginia Conflict of Interest and Ethics Advisory Council semiannually by December 15 (covering May 1-October 31) and June 15 (covering November 1-April 30).

**Condition:**

Five of eighteen City officials sampled filed their semi-annual statement of economic interest after the December 15 deadline, and one City official of eighteen sampled filed their semi-annual statement of economic interest after the June 15 deadline.

**Cause:**

The City's procedures were not followed by all City officials.

**Effect:**

Non-compliance may result in action by the Virginia Commonwealth Attorney's Office.

**Recommendation:**

We recommend that City officials should file a complete and accurate statement of economic interest on a timely basis to comply with the deadlines.

**Views of responsible officials**

City Clerk: The City Clerk's Office has a procedure in place where all of the required City officials are made aware of the filing due date for the statements of economic interests. A reminder is sent to each official that has not responded by at least three days prior to the deadline.

City of Richmond, Virginia

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

June 30, 2015

**2015-APA 09: Property Tax Exonerations**

**Criteria:**

Property tax exonerations are required to be approved by the City Assessor and entered into the City's MUNIS computer system to properly reflect the taxable property value.

**Condition:**

One selected tax exoneration of sixty sampled was not entered into the MUNIS system when it was approved.

**Cause:**

The City does not have procedures to verify that exonerations are properly entered into the MUNIS system.

**Effect:**

The City could potentially record and bill for property taxes based on incorrect values.

**Recommendation:**

We recommend that the City implement procedures to track exonerations and to compare exonerations approved to the amounts recorded in MUNIS.

**Views of responsible officials**

Director of Finance: Staff believes that the one instance noted was an isolated incident, but will perform due diligence to ensure that procedures are followed moving forward.

**2015-APA 10: Business Continuity Plan**

**Criteria:**

The City is required to maintain a documented Business Continuity Plan that has been updated within the previous twelve months.

**Condition:**

The Business Continuity Plan that the City has documented is five years old.

**Cause:**

The City does not have procedures to annually update their business continuity plan.

**Effect:**

The City's ability to continue operations after a business disruption could be compromised since the plan has not been updated and reviewed. The plan that is documented may not include all of the City's current systems and procedures.

**Recommendation:**

We recommend that the City implement procedures to annually review and update their Business Continuity plan and document the effective date of the review even in instances where no changes were deemed necessary.

City of Richmond, Virginia

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

June 30, 2015

**Views of responsible officials**

Director of Finance: The Finance Department's Continuity of Operations Plan (COOP) was updated by the new Director of Finance in December 2016 and forwarded to the Office of Emergency Management. Due to extensive turnover in management positions within the Finance Department in recent years, the plan had not been updated. With the hiring of a number of new management staff members, the plan will now be reviewed annually.

**2015-APA 11: Virginia Retirement and ICMA Contributions**

**Criteria:**

The City has employees who participate in the Virginia Retirement System ("VRS") and the ICMA-RC deferred compensation plan. Employer contributions to VRS are required to be made by the 10th day of the month, and employee withholdings for ICMA-RC are required to be made when the withholdings are deducted from the employee's payroll.

**Condition:**

The City did not remit the required contributions for both VRS and ICMA-RC for the two months sampled before the required due date.

**Cause:**

The City implemented a new computer system, which did not provide the required information in a timely manner to allow the payments to be made.

**Effect:**

The City is not complying with the requirements of VRS.

**Recommendation:**

We recommend that the City review its computer system implementation to correct the issues that are delaying the payments.

**Views of responsible officials**

City Controller: The Finance Department experienced significant turnover in the payroll and accounts payable area, and now has all payroll positions filled. Staff will ensure that these payments will be made in a timely manner moving forward.

**2015-APA 12: Annual Financial Report filing with the Auditor of Public Accounts**

**Criteria:**

The City must submit the audited financial report to the Auditor of Public Accounts ("APA") by November 30 of each year in accordance with Section 15.2-2510 of the Code of Virginia. Any separately issued management letters referred to in the auditor's report(s) must accompany the report. If the local government elects to prepare a separate single audit report, they are also required to submit that to the Auditor of Public Accounts by the November 30 deadline.

**Condition:**

The City did not submit the required reports by the required due date.

**City of Richmond, Virginia**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

June 30, 2015

**Cause:**

The City's processes to close the year-end records, reconcile balances, analyze the period transaction and accumulate such data into a timely compliant financial report did not function timely.

**Effect:**

The City is not complying with the requirements of the APA.

**Recommendation:**

The City should implement procedures to timely complete and review the supporting documentation required to file the annual financial report.

**Views of responsible officials**

Director of Finance: The City was unable to submit the FY2015 audited financial report to the APA by 11/30/15 primarily due to the fact that the external auditor was not engaged to begin the audit until October 2015, and the Finance Department had a significant number of vacant general accounting positions during the FY2015 audit. The FY2016 audited financial report was similarly not submitted to the APA by 11/30/16 because the new external auditor was not engaged until November 2016. The City has implemented procedures to file the annual financial report by the applicable deadline for FY2017 purposes (and moving forward).

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2015**

**2014-001: Material Weakness – Internal Control Over Financial Reporting – Capital Assets  
(repeat circumstance from finding 2013-1)**

Status: Similar finding noted in 2015, identified as 2015-001 in the FY2015 schedule of findings and questioned costs.

**2014-002: Material Weakness – Internal Control Over Financial Reporting – Annual External  
Financial Reporting In Accordance with GAAP (repeat circumstance from finding 2013-2)**

Status: Similar finding noted in 2015, identified as 2015-002, -003, -004, and -005 the FY2015 schedule of findings and questioned costs.

**2014-003: Material Weakness – Segregation of Duties and System Based Logical Access Controls**

Status: Similar finding noted in 2015, identified as (portions of) 2015-007 in the FY2015 schedule of findings and questioned costs.

**2014-004: Material Weakness – Information Technology – General Controls and Business System  
Implementation**

Status: Similar finding noted in 2015, identified as (portions of) 2015-007 in the FY2015 schedule of findings and questioned costs.

**2014-005: Noncompliance – Commonwealth of Virginia Yearly Financial Reporting**

Status: Similar finding noted in 2015, identified as finding 2015-APA 13.

**2014-006: Compliance Scope Limitation and Material Weakness – Eligibility (TANF)  
(repeat circumstance from findings 2012-1 and 2013-3)**

Status: Similar finding noted in 2015, identified as finding 2015-018. The Social Services staff training recommended in 2014-006 has been completed.

**2014-007: Compliance Scope Limitation and Material Weakness – Eligibility (Medical Assistance  
Program) (repeat circumstance from findings 2012-2 and 2013-4)**

Status: Similar finding noted in 2015, identified as finding 2015-020. The training recommended in 2014-007 for Benefit Program Specialists was completed as of September 2016.

**2014-008: Material Weakness – Allowable Cost (Highway Planning and Construction)**

Status: Similar finding noted in 2015, identified as finding 2015-014.

**2014:009: Noncompliance and Material Weakness – Special Tests and Provisions – Fraud  
Detections and Repayment**

Status: Corrected, no current year related finding.

**2014:010: Material Noncompliance and Material Weakness – Reporting (Social Services system-  
wide)**

Status: Similar finding noted in 2015, identified as finding 2015-009.

**2014:011: Noncompliance and Material Weakness: Allowable Costs (Social Services system-wide)**

Status: The corrective action is complete. The Virginia Department of Social Services initiated an electronic RMS process which took effect July 1.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - Continued**  
**YEAR ENDED JUNE 30, 2015**

**2014:012: Noncompliance and Significant Deficiency – Allowable Cost (Child Care and Development Fund Cluster)**

Status: Corrected, no current year related finding.

**2014:013: Noncompliance and Significant Deficiency – Title I Application  
(repeat circumstance from finding 2013-6)**

Status: This finding was specific to Richmond Public Schools, which has not been included in the scope of the City's FY2015 Single Audit.

**2014:014: Social Services System Access (repeat circumstance from finding 2013-7)**

Status: Similar finding noted in 2015, identified as finding 2015-APA 07.

**2014:015: Virginia Department of Social Services LASER Reporting**

Status: Similar finding noted in 2015, identified as finding 2015-APA 05.

**2014:016: Conflicts of Interest**

Status: Similar finding noted in 2015, identified as finding 2015-APA 09.

**2014:017: Highway Maintenance**

Status: Corrected, no current year related finding.

**2014:018: Comparative Cost Reporting**

Status: Similar finding noted in 2015, identified as finding 2015-APA 13.

**2014:018: Retirement Systems**

Status: Corrected, no current year related finding.