



CITY OF RICHMOND
AUDIT COMMITTEE
HYBRID
MEETING

CITY HALL
2ND FLOOR LARGE CONFERENCE ROOM
WEDNESDAY, APRIL 10, 2024
2:00 PM

AGENDA



**City of Richmond
Audit Committee Meeting
Wednesday, April 10, 2024, @2:00 p.m.
City Hall – 2nd Floor Large Conference Room
AGENDA**

HYBRID meeting:

This is an in-person meeting for Audit Committee Members. It is also requested that key staff from the Administration responding to the audits, be available in person.

For those that will join virtually, see the instructions below:

- Join on your computer or mobile app [Click here to join the meeting](#)
- You may also listen to the meeting audio from your phone by dialing *67-804-316-9457 and when prompted, enter conference ID 156 095 830#.

There will be no opportunities for public comment at this meeting.

1. Meeting Call to Order – Roll Call
2. Welcome – New Audit Committee Member
3. Welcome – New Audit Staff
4. Approval of Minutes
 - December 12, 2023
5. External Audit Update - *Mr. Sean Walker, CLA*
6. Audit Office Initiatives and Overall Progress – *Riad Ali*
 - Staffing Update
 - Completed Single Audit Assistance
 - Completed Preliminary Annual Risk Assessment
 - Worked with Chief Administrative Offices, DPU, DPW, Finance, and Human Resources (HR) to Close 8 Recommendations
 - Completed the Continuous Audit – Identified \$83,084 Recoverable Funds
 - Completed Non-Audit Service on Meals Tax
7. Audit Reports
 - **2024-08** Continuous Auditing – *Bret Lewis*
 - **2024-07** Non-Audit Service Meals Tax Delinquency Notifications– *Yolanda McCoy/Jennifer Harvell*
8. Closed Recommendations – *Leigh Ann Castro*
 - Chief Administrative Offices (CAO)
 - Department of Public Utilities (DPU)
 - Department of Public Works (DPW)
 - Human Resources (HR)
 - Finance
9. Inspector General Update - *Mr. James Osuna*
10. Old Business
 - Delinquent Personal Property Taxes Discussion – *Sheila White*
 - FY 24 Audit Plan Status – *Riad Ali*
11. New Business
12. Adjourn

Next Audit Committee Meeting – Tuesday, June 18, 2024, @ 2 PM

MINUTES

AUDIT COMMITTEE MEETING MINUTES
December 12, 2023, at 2:00 PM
City Hall, 2nd Floor Large Conference room
HYBRID

In Attendance:

(*Virtual)

Audit Committee Members:

Joseph Kearfott, Chair
W. Lee Chaney, III
Donald Cowles
Daniel Howell
The Honorable Kristin Nye
* Samuel Bemiss

The Honorable Michael Jones - absent

City Auditor's Office:

Bret Lewis, Interim City Auditor
Leigh Ann Castro, Senior Auditor
Toni Noel, Senior Auditor
Zachary Brown, Senior Auditor
Rochelle Carter, Management Analyst

Office of the Inspector General:

Craig Johnson - OIG
* Powell, Shatabra L. - OIG

External Auditors:

Sean Walker - CliftonLarsonAllen

Citizen Attendees:

Riad Ali


City Administration/Council & Staff:

Lincoln Saunders, CAO
Sabrina Joy-Hogg, DCAO Admin & Finance
Robert Steidel, DCAO Operations
Sheila White – Finance
* Alexander, Tyrome D. – HR
* Almaraz, Rene M. - Procurement
* Benton, LeCharn D. - Human Services
* Boisvert, Gabriel L. - City Attorney
* Bingham, April N. - DPU
* Breil, Peter D. – CSR
* Brown, Meghan K. - Budget
* Carter, Melvin D. - Fire
* Crawford, Jeffrey R. - Finance
* Ebert, Sharon L. - DED
* Fetterman, Jonathan E. - DECPR
* Firestine, Scott R. - RPL
* Frelke, Christopher E. – DPR
* Hampton, Sherrill A. - HCD
* Hohl, Adam F. - DCAO of Operations
* Holmes, LaTasha S. - CCOS
* Irving, Antionette V. - Sheriff's Office
* Lyons, Scott A. - Procurement Services
* Paul, Shannon S. - DJS
* Sledge, Leonard L. - DED
* Trent, Roslyn J. - CAO
* Welch, Matthew A. - DED
* Weston, Caitlin W. - City Attorney
* Wilson, Shamiah L. - DECPR

Introduction/Roll Call – Joseph Kearfott, Chair

Mr. Kearfott called the meeting to order at 2:03 p.m. Roll call was taken of the Committee members and in-person attendees.

Mr. Kearfott introduced and welcomed the City Auditor's new Senior Auditor Zachary Brown, hired on November 6, 2024, and the new City Auditor, Riad Ali who will start on December 18, 2024.

 **Approval of Minutes – September 19, 2023** - a motion to approve the minutes as written:

Yeas 6 Nays 0

External Audit Update – Mr. Sean Walker, CLA

Mr. Walker presented the [City of Richmond ACFR Presentation & Results](#). Mr. Walker reported that the Auditors' opinion on the financial statements is unmodified and noted that there were two (2) repeat findings, both are significant deficiencies (miscellaneous vendor and timely cash reconciliations).

A conversation ensued on the new revenue system (RVAPay) and the efforts to automate the reconciliations.

Audit Reports

- [2024-05 Annual Follow-up Review](#) – Mr. Bret Lewis / Ms. Leigh Ann Castro

Mr. Lewis thanked Ms. Castro, the participating Audit staff, and all responding City departments. Ms. Castro presented the report.

A conversation ensued regarding closing fewer recommendations than the prior year & high priority recommendations remaining open. Mr. Lewis explained that some years there are more complex recommendations that take more time to close. Mr. Saunders noted that timeliness is important, and his staff engaged in other priorities, which included Collective Bargaining, which affected the closing of recommendations.

- [2024 -06 Individual Motor Vehicle Personal Property Tax Assessment and Collections](#) - Mr. Bret Lewis

Mr. Lewis presented the report. Conversation ensued regarding findings & recommendations. Mr. Kearfott posed a question as to if the collections are increasing, why are the delinquencies still in the same range? Ms. White noted that it was due to timing issues. Mr. Kearfott stated the committee will look at the following months' reports. Ms. White also discussed the implementation of RVAPay and invited the Auditors to return & audit the process again next year.

Investigations – Mr. Craig Johnson, OIG

Mr. Johnson reviewed the Office of the Inspector General (OIG) case status as follows:

- 16 Open Cases
- 2 Closed Cases Substantiated
- 5 Closed Cases Unsubstantiated
- 2 Referred to Other Agency
- 1 New Case Added
- 1 Open Referred Case to Federal Agency

Old Business

- **FY24 Audit Plan Status** – Mr. Bret Lewis

Mr. Lewis presented the following FY24 audit plan status as of December 12, 2023:

APA Comparative Cost Analysis	Report Issued
Finance - Bank Reconciliations	Report Issued
Cybersecurity Network Vulnerability Assessment-FY23	Report Issued
American Rescue Plan	Report Issued
Personal Property Tax Assessment & Collections	Report Issued
External Audit Support - FY23	Completed
Annual Follow up	Report Issued
Streetlights Utility Maintenance	In Process
Procurement PCARDS	In Process
Budget Funding Non-Departmental	In Process
Warehousing and Inventory Management	In Process
Continuous Auditing	In Process
Affordable Housing Trust Fund	Not Started
Cybersecurity Network Vulnerability Assessment-FY24	Not Started
DPW - Fleet Fuel Usage	Not Started
DPU - Natural Gas Utility	Not Started
Finance - Bank Reconciliations	Not Started
RRS - Timeliness and accuracy of year end 1099	Not Started
Risk Management	Not Started
Security Contract - City Wide	Not Started
Special Projects	Not Started

Mr. Lewis explained that the audit plan may not be completed due to low staffing levels. Mr. Lewis noted, once the new City Auditor is onboard, the decision to update the audit plan will be discussed and communicated at the next Audit Committee meeting.

 Adjourn

The meeting was adjourned at 3:30 PM.

Prepared by:

Rochelle Carter and W. Bret Lewis
City of Richmond - City Auditor's Office

PRESENTATIONS



1

Background

- Objective and Scope
- Continuous auditing as defined by the Institute of Internal Auditors (IIA) is “the combination of technology enabled ongoing risk and control assessments. Continuous auditing is designed to enable the internal auditors to report on subject matter within a much shorter timeframe than under the traditional retrospective approach.”

2

What Worked Well

System Access After Separation (CY 2023)

Year	# of Employees
2021	101
2022	0
2023	3

Top 40 Paid Vendors (FY 2023)

- » Totalling \$1.6 Billion
- » 22 out of 40 had contracts & others were operational payments.
- » Payments were reasonable based on the contract and invoice descriptions.

Employee/Vendor Matching (FY 2023)

- » 16,687 vendor payments.
- » 33 City vendors matched City employees' information.
- » No conflicts of interest were identified.

3

What Worked Well

Vendor Database Management (CY 2023)

- Total of 22,428 Vendors
- 19% of the active vendors did not receive a payment

Date of Audit Test	Number of Vendors	Percent of Total Vendors
June 2019	6,593	35%
October 2020	1,570	8%
December 2021	4,438	22%
December 2023	4,188	19%

4

Findings and Observations Summary

- Miscellaneous Vendor
 - Duplicate Payments
 - Excess FMLA Hours
 - Excess Holiday Leave Hours
 - Excess Mental Health/Wellness Days
 - Earnings Paid Beyond Separation
 - Overtime
- I. One item was referred to the Inspector General’s Office.

Recoverable Costs from Audit	Amount
Duplicate Payments	\$34,646
FMLA	\$8,084
Holiday	\$3,173
Mental Health/Wellness	\$12,858
Earnings Beyond Separation	\$25,207
Overtime	(\$884)
Total	\$83,084

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Findings and Observations

Miscellaneous Vendor (FY 2023)

- 64,236 Miscellaneous Vendors for \$30,065,047
- Included a one-time rebate. Removed for below comparison

Category	FY 2022 Value	FY 2023 Value
# of Misc. Vendors	9,467	10,174
# of Checks	13,779	15,473
Amt. Paid to Misc. Vendors	\$10,909,680	\$13,264,581

Duplicate Payments (FY 2023)

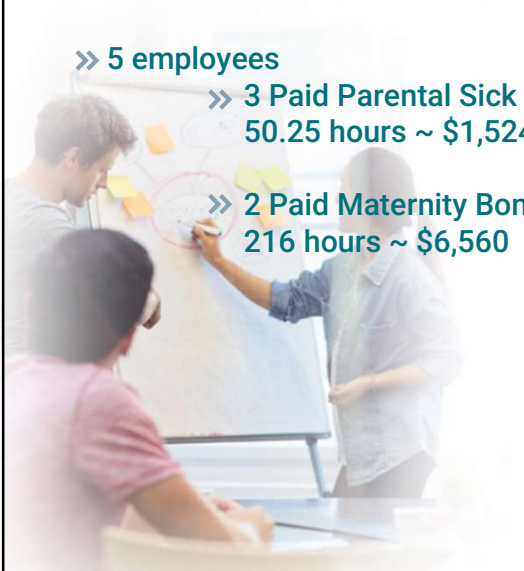
- » 1,990 invoices were reviewed ~ \$13.6 M
 - » 30 duplicates ~ \$89,238
 - » 22 duplicates/5 departments not yet recovered ~\$34,331

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Findings and Observations

FMLA Hours (CY 2023)

- » 5 employees
 - » 3 Paid Parental Sick
50.25 hours ~ \$1,524
 - » 2 Paid Maternity Bonding
216 hours ~ \$6,560



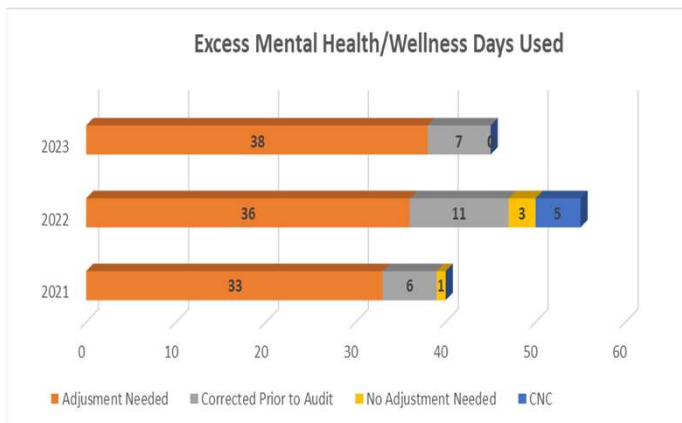
Holiday Leave Hours (CY 2023)

- » 24 employees
 - » 8 required an adjustment
88.5 hours ~ \$3,173
 - » 4 employees identified prior to audit for correction. Only 1 remains pending
 - » 12 employees required no adjustment as the excess did not affect leave balance.

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Findings and Observations

Mental Health/Wellness Hours (CY 2023)

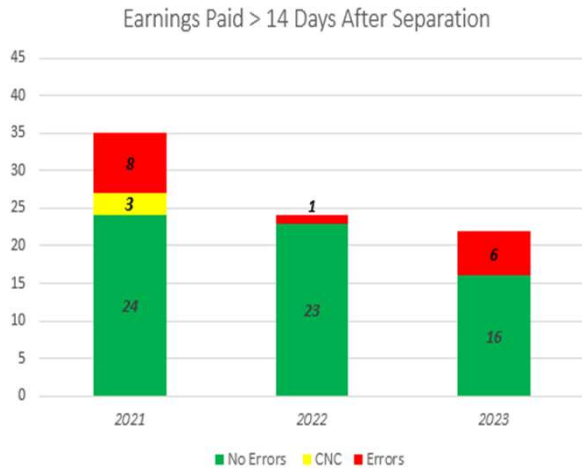


- » 45 employees
 - » 7 corrected prior to audit
 - » 38 required adjustments ~ \$12,858

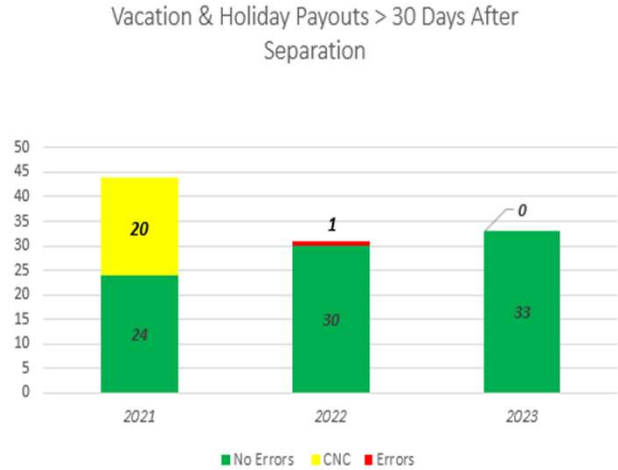
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Findings and Observations Payment After Separation (CY2023)

Earnings Paid > 14 Days
4- employee overpaid ~ \$25,207



Vacation/Holiday > 30 Days
0 Overpayments Identified

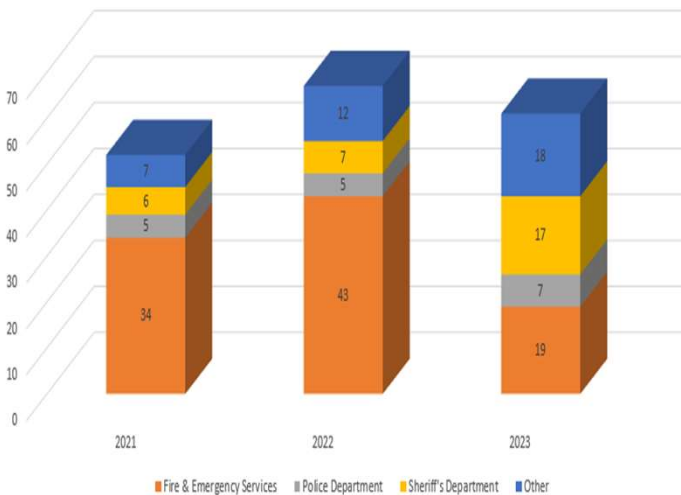


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Findings and Observations

Overtime (CY2023)

Employees Over 1,040 Hours of OT By Department



» 61 employees in 8 departments earned overtime in excess of 1,040 hours

» 34 of the 61 employees had more than 1,040 hours of overtime in CY2022

» Reviewed support for one period for 25 of the top overtime earners.

» 3 Employees with the Fire Department were paid incorrect hours, Corrections have been submitted

10

Conclusion

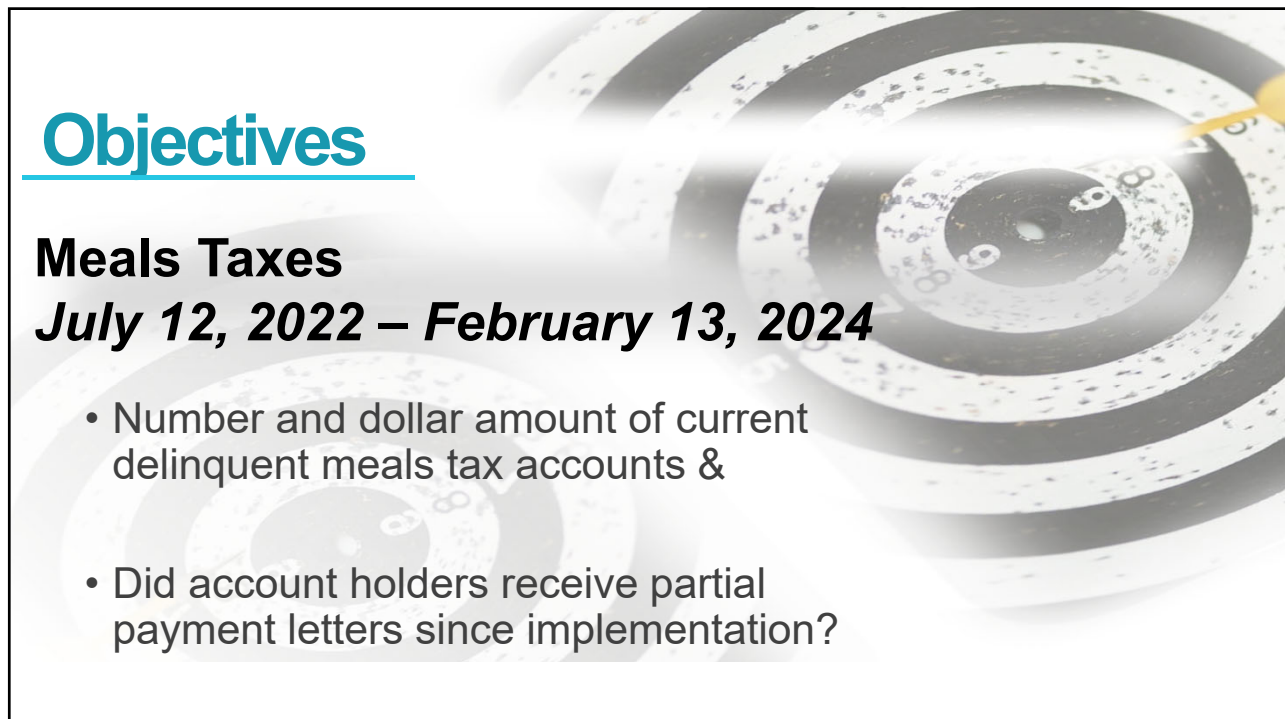
Recommendations

- » Issued 1 Recommendation
- » 100 % Concurrence
- » Implementation Dates
Through August 31, 2024

Any questions?



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Background

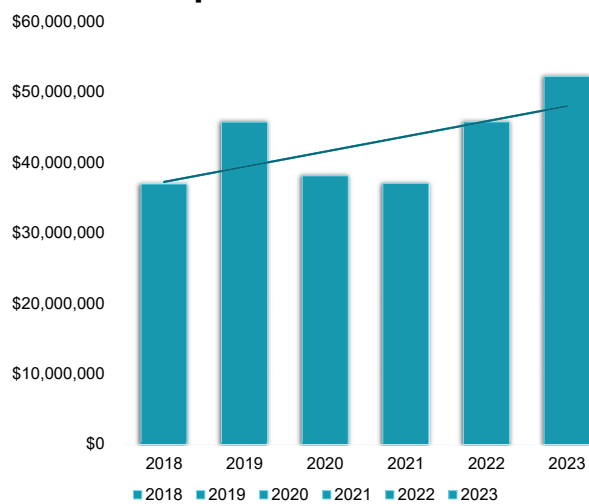
- July 1, 2018, the Meals tax rate is 7.5% (previously 6%)
- Prepared foods and beverages
- Due on the 20th of each month
- A 3% seller's commission is awarded for establishments that collect, report, and remit taxes in full by the due date.



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Meals Tax Revenue

Prepared Food Tax




- City collected ~\$52 million in meals taxes in FY2023
- 8% of the general government tax revenues

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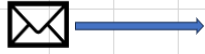
Applying Payments To Delinquent Meal Tax Accounts

Virginia Code 58.1-3913

Business Owners
Meals LLC.



March
Gross Receipts
Amount to Remit to the City: \$40
Due: By April 20th



Meals Tax Account in MUNIS			
Date	Tax Payment	Current Due Amt	Delinquent Amt
April 20th	\$40	\$40	\$20

Date	Current Due Amt	Delinquent Amt
April 20th	\$20	\$0

Date	Current Due Amt	Delinquent Amt
April 21st	\$0	\$20
(10%) One Time Penalty		\$2
(10% Annual Simple Interest)		\$0.17
		\$22.17

Date	Current Due Amt	Delinquent Amt
June 20th		\$24.56

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Delinquent Notifications

Before June 2022

- Tax Enforcement (Audit)
- Delinquent Collections
- Taxpayer Inquiry

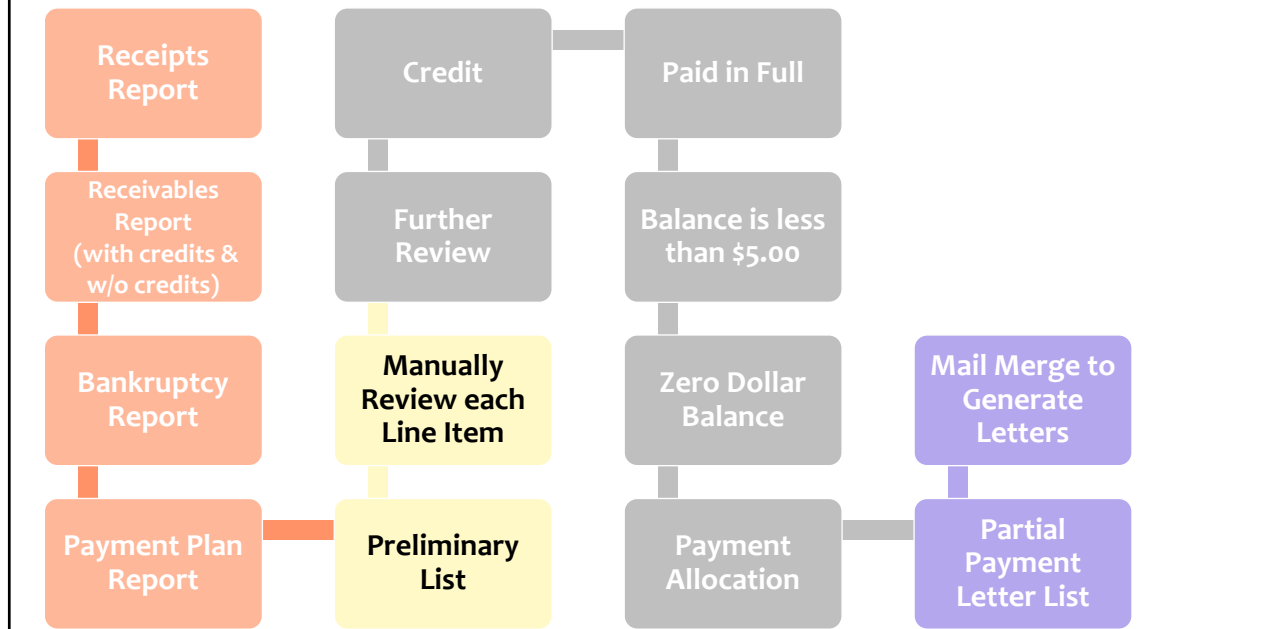
June 2022 – Partial Payment Letter Process

- First batch of letters were mailed in July 2022
 - Confirmed receipt of payment & outstanding balances



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Partial Payment Letter Process



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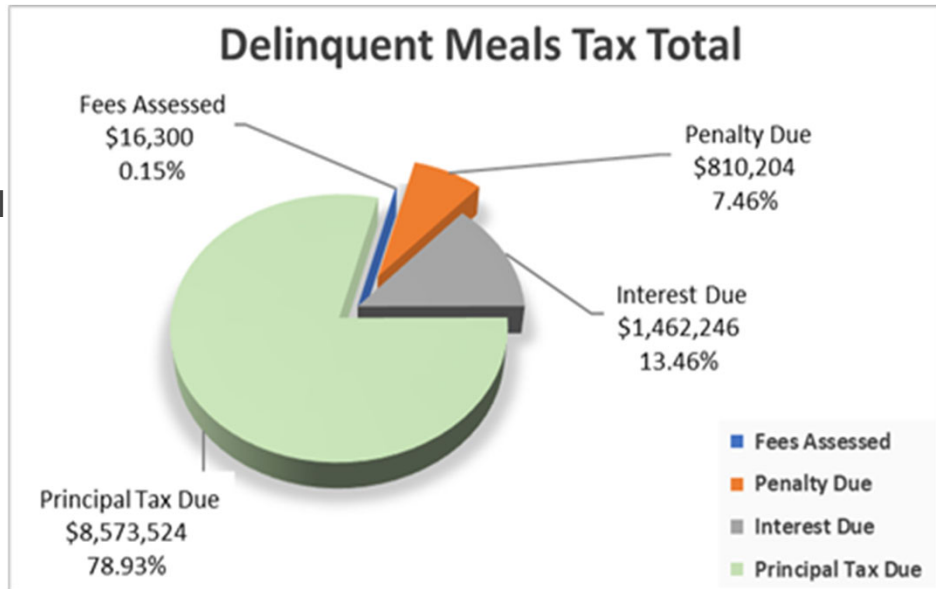
Methodology

- We compared a list of all the delinquent tax bills as of February 27, 2024, to the list of the partial payment letters issued and supporting documentation to determine:
 - Total number of delinquent meals tax accounts;
 - The dollar amount of the delinquent accounts;
 - The number of business owners with delinquent meal tax accounts received at least one partial payment letter; and
 - The reason a business owner with a delinquent account did not receive a partial payment letter.

8

Results

- **673** Businesses
- Total of **\$10.9 M**
- ~ **21%** of the total delinquent amount (\$10.9 M) represents (fees, interest & penalties)



9

Results

- **673** Delinquent Business Accounts
 - **390** or **58%** totaling ~**\$7 million** – received at least one letter
 - **283** or **42%** totaling ~**\$3.9 million** did not receive a letter through the partial payment letter process
 - **98** out of the **283** were excluded due to at least one of the following:
 - Payment Plan
 - Account Under Review
 - Payment Allocation
 - No Payment



10

City's Commitment to Change

Changes Made

- February 12, 2024 – City Ordinance 2024-024 – *modifies the application of tax payments.*
- February 26, 2024 – Review Committee – *reviewing meals tax accounts with outstanding balances*
- Facilitate Collaboration with Businesses
 - Secure Website
 - Dedicated Email Address
 - Payment Allocation Review Committee
- Hiring More Staff (23 conditional offers)

Ongoing Efforts

- Formal Notification Letters – *March 22, 2024 (sent out)*
- Real Time Assistance – *Business Café*
- BizConnect Expo Held – *March 11, 2024*
- Implementation of RVAPay – *Real-time account access with automated payment options.*
- Module implementation schedule prioritized the business module to address business concerns.

11

Recommendations

No recommendations were issued.

We will audit the meals tax program after RVAPay implementation, as requested by the City Council, City Administration, and the Director of Finance.

12



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Follow Up Status: Quarterly Closures

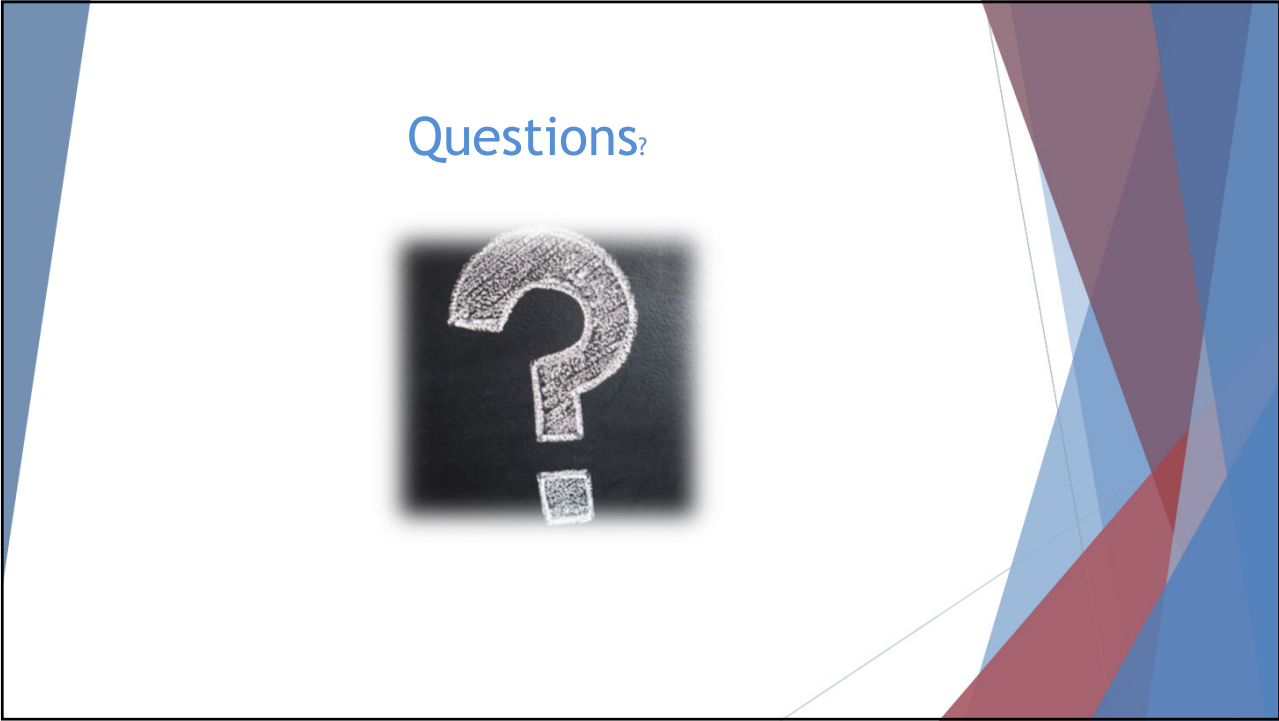
Presented by: The City Auditor's Office
April 10, 2024

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8 Recommendations Closed 1 Recommendation Removed

- ▶ CAO's Office
- ▶ Department of Public Works
- ▶ Department of Public Utilities
- ▶ Human Resources
- ▶ Department of Finance
- ▶ 1 Low Priority
- ▶ 6 Medium Priority
- ▶ 1 High Priority

2



3

OFFICE OF THE
INSPECTOR GENERAL

REPORT



James A. Osuna
Inspector General

CASE STATUS

- 11** OPEN CASES
- 1** CLOSED CASE SUBSTANTIATED
- 5** CLOSED CASE UNSUBSTANTIATED
- 2** REFERRED TO OTHER AGENCY
- 2** NEW CASE ADDED
- 1** OPEN REFERRED CASE TO FEDERAL AGENCY

Office of the Inspector General

Presented to the Audit Committee
April 10, 2024

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James A. Osuna
Inspector General

QUESTIONS



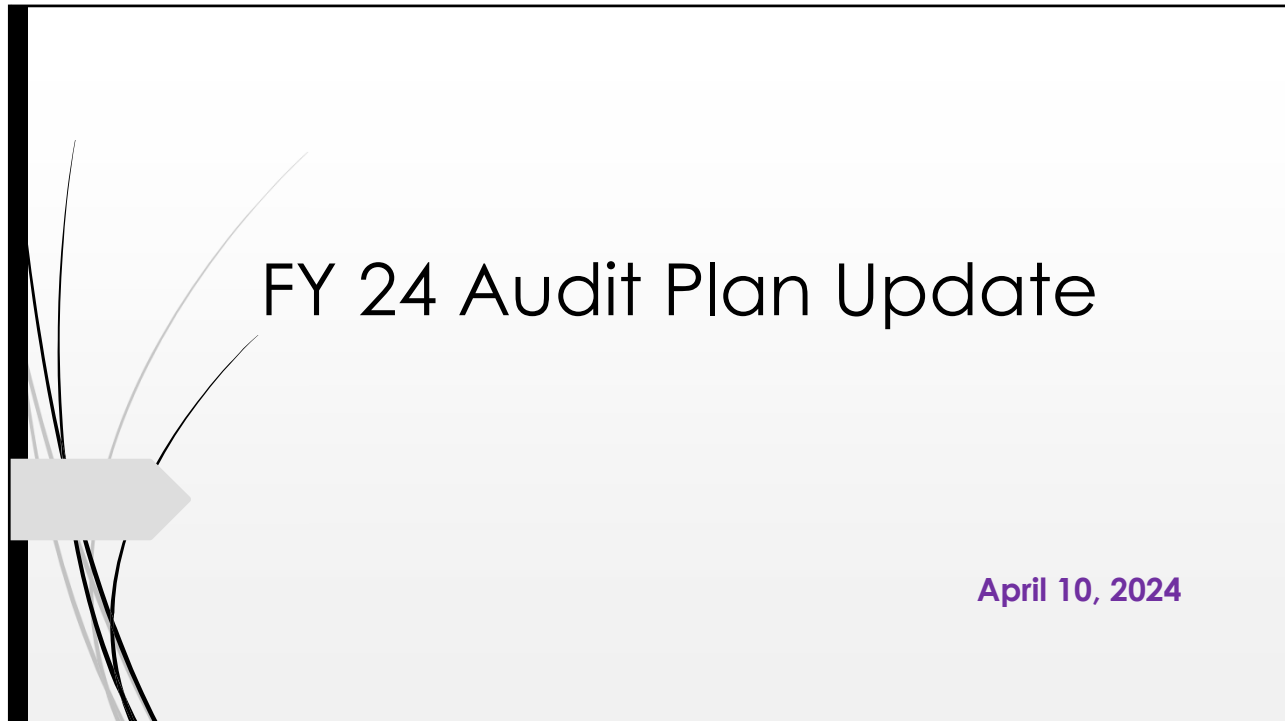
Office of the Inspector General

Presented to the Audit Committee
April 10, 2024

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OLD BUSINESS



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Status as of April 10, 2024

APA Comparative Cost Analysis	Report Issued
Finance Bank Reconciliations - Disbursement Account	Report Issued
Cybersecurity Network Vulnerability Assessment-FY 23	Report Issued
American Rescue Plan	Report Issued
Personal Property Tax Assessment & Collections	Report Issued
External Audit Support - FY 23	Completed
Annual Follow up	Report Issued
Continuous Auditing	Report Issued
Non-Audit Services - Delinquent Notifications*	Report Issued
Streetlights Utility Maintenance	In Process - Fieldwork
Procurement PCARDS	In Process - Fieldwork
Budget Funding Non-Departmental	In Process - Fieldwork
Warehousing and Inventory Management	In Process - Fieldwork
RRS - Timeliness and Accuracy of Year End 1099	In Process - Planning
Cybersecurity Network Vulnerability Assessment-FY 24	In Process - Awarded
Affordable Housing Trust Fund	Rescheduled to Next FY
Finance - Bank Reconciliations – Concentration Account	Rescheduled to Next FY
Special Projects	Ongoing
DPW - Fleet Fuel Usage	Not Started
DPU - Natural Gas Utility	Not Started
Risk Management	Not Started
Security Contract - City Wide	Not Started

2



NEW BUSINESS