



**CITY of RICHMOND**  
**City Auditor's Office**

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**DATE:** April 26, 2022

**TO:** Lincoln Saunders  
Chief Administrative Officer

**FROM:** Louis Lassiter *LL*  
City Auditor

**SUBJECT:** CARES Act Audit

The City Auditor's Office has completed the CARES Act audit and the final report is attached.

We would like to thank the Administration's staff for their cooperation and assistance during this audit.

Attachment

cc: The Richmond Audit Committee  
The Richmond City Council  
Reginald Gordon, DCAO of Human Services  
Sharon Ebert, DCAO of Economic Development  
Sabrina Joy-Hogg, DCAO of Finance & Administration  
Melvin Carter, Chief of Richmond Fire & Emergency Services

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City of  
**RICHMOND**  
Office of the City Auditor

Audit Report# 2022-10  
**CARES Act Audit**  
April 26, 2022



**Audit Report Staff**

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## Highlights

*Audit Report to the Audit Committee,  
City Council, and the Administration*

### Why We Did This Audit

The Office of the City Auditor conducted this audit as part of the FY2021 audit plan approved by the Audit Committee. The objective for this audit was to evaluate CRF for compliance to funding requirements and programs effectiveness and efficiency.

### What We Recommend:

The Chief Administrative Officer (CAO) establish a centralized grant management and sub-recipient oversight and monitoring function for the City.

### The Interim Director of OCWB:

- Work with the third-party grant recipients to identify and totalize the payments made for RRHA tenant rental payments and work with the Departments of Finance and Budget and Strategic Planning to replace eligible costs and report and changes in the expenditure categories to the State.
- Either eliminate the use of the gift cards for future assistance OR if used enhance the internal controls over the process.

### The Director of Economic Development:

- Develop and implement policies and procedures for periodic reconciliation of EDA expenditures.
- Separate the duties of screening/approving applications from the processing of payments.

Additional recommendations were made to improve processes related to gift cards, program monitoring, staff training, and supporting documentation.



## Coronavirus Aid, Relief, and Economic Security Act (CARES) – Coronavirus Relief Fund (CRF)

**Background** – The CARES Act established the CRF and appropriated \$150 billion for payments to States, tribal governments, and certain local governments. The City of Richmond received approximately \$40.2 million in federal CRF funding from the State of Virginia. As of December 31, 2020, the City had expended approximately 94% (\$37.6 million) of the funds to procure goods and services, such as emergency child care services, personal protective equipment (PPE), citizen and small business assistance, housing support, COVID-19 testing and contact tracing, and improvements in telework capabilities. At least 56% of the \$37.6 million was disbursed to third-party grant recipients to provide aid and services to the City of Richmond citizens and businesses impacted by the pandemic.

### What Works Well

- Ledger codes were established and implemented to segment CRF expenditures from operational costs and other pandemic funding sources.
- The reviewed non-grant contract expenditures (54 invoices and 30 purchase card transactions) totaling approximately \$6.1 million generally complied with CRF guidelines and were adequately supported.

### Needs Improvement

#### Finding #1 – Sub-Recipient Monitoring and Grant Management

During the pandemic, the City entered into grant contracts with third-party recipients to provide services and financial assistance to citizens and businesses. The Auditor reviewed the top six recipients that received the highest CRF funding totaling approximately \$19.9 million. Generally, the recipients used the funding to carry out the scope of work and adhered to the CRF requirements. However, the recipients did not consistently adhere to the reporting requirements outlined in the contracts. Also, the City did not have adequate grant monitoring and oversight to ensure compliance.

#### Finding #2 – Rental Assistance

The grant recipients issued rental assistance payments totaling approximately \$8 million for 3,420 tenants. Outstanding rent balances prior to March 1, 2020, and duplicate payments totaling at least \$84,000 were inappropriately charged to CRF. This amount came from a sample tested and the total amount of ineligible payments may be significantly higher after final reconciliation.

#### Finding #3 – Business and Non-Profit Assistance

Staff that processed the assistance payments also participated in the screening and approval of the applications. There was not a process or procedure in place to periodically reconcile expenditures. The Auditor could not conclude if approximately \$50,000 of the allocated CARES funding complied with CRF guidelines.

#### Finding #4 – Ambassador’s Program (Virtual Learning Project)

Approximately \$429,000 of CRF funding was allocated to the program to aid with virtual learning. Adequate controls, procedures, and training were not in place to ensure the project operated efficiently and effectively. CRF funding was not used in the most efficient manner.

#### Finding #5 – Family Crisis Funds – Gift Cards Internal Controls

Gift cards (2,278) totaling approximately \$1.1 million were purchased and distributed to citizens impacted by the pandemic. Adequate controls and procedures were not in place to track the gift cards distribution. The Auditor was unable to account for the number of gift cards distributed ranging from 11-88 cards with a value between \$5,500 and \$44,000 based on the provided records.

**Additional findings were also noted regarding lack of documentation for CRF expenditures and hazardous bonus payments.**

Management concurred with **8** of **8** recommendations. We appreciate the cooperation received from management and staff while conducting this audit.

## BACKGROUND, OBJECTIVES, SCOPE, METHODOLOGY, MANAGEMENT RESPONSIBILITY and INTERNAL CONTROLS

This audit was conducted in accordance with the Generally Accepted Government Auditing Standards promulgated by the Comptroller General of the United States. Those Standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objective.

### BACKGROUND

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The Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed in March 2020 to provide fast and direct economic assistance to American workers, families, small businesses, and industries. The CARES Act implemented various programs to address and respond to the COVID-19 pandemic. The City has received funding through a variety of CARES Act sources, including the Department of Housing and Urban Development (HUD), the Department of Justice (DOJ), the Department of Homeland Security, and Coronavirus Relief Fund (CRF) allocations from the State of Virginia<sup>1</sup>.

The CARES Act established the CRF and appropriated \$150 billion of funding to assist States, tribal governments, and certain local governments. The CARES Act requires that payments from the CRF only be used to cover:

- Necessary expenditures incurred due to the COVID-19 public health emergency,
- Costs not accounted for in the most recently approved budget as of March 27, 2020, and
- Costs incurred between March 1, 2020 and December 31, 2021<sup>2</sup>.

The City of Richmond received two equal allocations of CRF totaling approximately \$40.2 million from the State of Virginia. The City received the first allocation in June 2020 and the second one in August 2020. The responsibilities for administering and monitoring the CRF funds were

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<sup>1</sup> This audit focused on the CRF allocations from the State of Virginia.

<sup>2</sup> The original expenditure deadline was on December 31, 2020. On December 21, 2020, Congress passed the Consolidated Appropriations Act (2021), which extended the deadline for CRF expenditures to December 31, 2021.

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delegated to various City departments and organizations. The departments and organizations were responsible for ensuring that CRF funds were used for allowable expenditures, adequately supported, and properly coded within the financial system. The Department of Finance created a designated accounting string to track the CRF expenditures and segment them from operational costs and other funding sources.

As of December 31, 2020, the City expended approximately \$37.6 million, which is 94% of the funds received. Of these expenditures, roughly \$21 million were disbursed through third-party grants to expand existing services and create new programs to respond and address the pandemic. The funds were used to procure goods and services, such as emergency child care services, personal protective equipment (PPE), small business assistance, homelessness and housing support, COVID-19 testing and contact tracing, hazardous bonuses, and improve telework capabilities. The table below depicts CRF expenditures through December 31, 2020 by category:

<b>CARES Expenditures Through December 31, 2020 By Expenditure Category</b>	
<b>Description/Category</b>	<b>Expenditures</b>
Housing Support	\$12,278,000.00
Public Health Expenses	\$6,460,502.59
Small Business Assistance	\$6,258,330.58
Administrative <sup>3</sup>	\$4,986,319.02
Other Categories	\$2,964,039.32
Improve Telework Capabilities for Public Employees	\$2,108,427.37
Personal Protective Equipment	\$928,152.26
COVID-19 Testing & Contact Tracing	\$583,867.00
Facilitating Distance Learning	\$500,000.00
Payroll for Health & Public Safety Employees - Richmond Ambulance Authority	\$299,416.00
First Responder Food Program	\$261,158.36
<b>TOTAL</b>	<b>\$37,628,212.50</b>

Created by the City Auditor's Office using the expenditure summary provided by the Department of Finance.

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<sup>3</sup> Includes approximately \$4.6 million in hazardous bonus payments and COVID-19 sick pay

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Below is a summary of expenditures through December 31, 2020 by Department.

<b>CARES Expenditures Through December 31, 2020</b>	
<b>Department</b>	<b>Expenditures</b>
Housing & Economic Development	\$16,498,330.58
Fire*	\$9,067,464.23
Public Works	\$6,226,632.37
Human Services	\$2,785,628.70
Information Technology	\$1,113,642.64
Sheriff	\$1,029,528.20
Richmond Ambulance Authority	\$595,135.00
City Treasurer	\$157,290.27
Police	\$125,593.37
Emergency Communications	\$ 28,967.14
<b>TOTAL</b>	<b>\$37,628,212.50</b>

\*Expenditure total includes citywide expenditures, such as hazardous bonuses and COVID Sick payments issued to City employees and funding issued to third party agencies to provide emergency child care services.

## **OBJECTIVE**

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The objective of this audit was to evaluate COVID-19 programs for compliance with funding requirements and effectiveness and efficiency.

## **SCOPE**

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CRF expenditures incurred from March 1, 2020, through December 31, 2020, were tested for compliance with the federal guidelines and the City's grant contracts for those services/programs administered through third parties.

## **METHODOLOGY**

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The auditors performed the following procedures to complete this audit:

- Interviewed staff and performed walkthroughs to understand programs and documentation processes;
- Reviewed City Ordinances and Resolutions related to pandemic funding
- Reviewed Federal Guidelines;

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- Non-Grant Contract CRF Expenditure Testing:
  - Reviewed a sample of 54 invoices and 30 purchase card (P-Card) expenditures totaling approximately \$6.1 million that occurred through December 31, 2020 for compliance with federal guidelines and to determine if adequately supported.
    - 38 invoices were haphazardly selected from the top 15 vendors that had the highest total payment amounts;
    - 6 invoices were judgmentally selected based upon the expenditure descriptions; and
    - All 10 invoices keyed to “Miscellaneous Vendors” were tested.
  - P-Card transactions were judgmentally selected based on the highest transaction amounts and merchant category code (MCC) descriptions.
  - Compared CRF invoices and P-Card transactions, which were processed through December 31, 2020, to the expenditures that were coded to other pandemic funding sources (Federal Emergency Management Agency, Virginia Department of Criminal Justice, and the United States Department of Justice) to ensure expenditures were not charged to more than one funding source.
- Grant Contract Expenditure Testing:
  - 26 grant contracts/funding awards totaling approximately \$20 million were tested for compliance with grant contract requirements, CRF requirements and to ensure supporting documentation was readily available. Sample selection included the grant contracts/funding awarded to the top 6 grantees that received the highest dollar amount of CRF funding from the City through December 31, 2020.
  - Reviewed the grant contracts/award documents to determine the scope of work and performance and reporting requirements;
  - Examined the City’s procedures for grant contract management to include adherence to grant contract clauses;



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- Examined a sample of grant contract expenditures from the selected grants for compliance with CRF funding requirements and to ensure supporting documentation was readily available; and
- Conducted other tests, as deemed necessary.

### **MANAGEMENT RESPONSIBILITY**

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City of Richmond management is responsible for ensuring resources are managed properly and used in compliance with laws and regulations; programs are achieving their objectives; and services are being provided efficiently, effectively, and economically.

### **INTERNAL CONTROLS**

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According to the Government Auditing Standards, internal control, in the broadest sense, encompasses the agency's plan, policies, procedures, methods, and processes adopted by management to meet its mission, goals, and objectives. Internal control includes the processes for planning, organizing, directing, and controlling program operations. It also includes systems for measuring, reporting, and monitoring program performance. An effective control structure is one that provides reasonable assurance regarding:

- Efficiency and effectiveness of operations;
- Accurate financial reporting; and
- Compliance with laws and regulations.

Based on the audit test work, the auditors concluded internal controls need improvement for the following areas:

- Grant Management;
- Funding compliance;
- Program oversight;
- Gift card tracking and distribution; and
- Supporting documentation

Details of these findings are discussed throughout the report.

## FINDINGS and RECOMMENDATIONS

### What Works Well

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#### Non-Grant Related Expenditures

The auditors reviewed non-grant contract expenditures (54 invoices and 30 purchase card transactions) totaling approximately \$6.1 million and generally noted the expenditures complied with the CRF guidelines and were adequately supported.

#### Accounting/Ledger Codes Established to Track CRF Expenditures

Ledger codes were established and implemented to segment CRF expenditures from operational costs and other pandemic funding sources. The auditor compared the expenditures coded to CRF (through December 31, 2020) to the invoices coded to other pandemic funding sources (Federal Emergency Management Agency, Virginia Department of Criminal Justice, and the United States Department of Justice) and verified expenditures were not duplicated under multiple funding sources.

### What Needs Improvement

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#### *Finding #1 – Sub-Recipient Monitoring and Grant Management*<sup>4</sup>

##### Condition:

The City entered into grant contracts/agreements with third-party recipients to provide services and financial assistance to citizens and businesses impacted by the pandemic. The auditor reviewed 26 grant contracts/agreements totaling approximately \$19.9 million<sup>5</sup> for compliance with the terms and conditions and a sample of expenditures totaling \$3 million for compliance with CRF requirements. The recipients generally used the funding to carry out the scope of work, and the expenditures met CRF requirements. However, City Departments needed to improve monitoring to promote better compliance.

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<sup>4</sup> The term grant is being universally used to include competitive and non-competitive awards, as well as State and Federal allocations.

<sup>5</sup> A summary of the reviewed grant agreements is included in Appendix A.

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- The grant recipients did not consistently adhere to the reporting requirements; therefore, the City staff could not adequately monitor the recipients' performance for compliance. The reports were obtained from the recipients once requested by the auditor.
- The auditor obtained detailed expenditure listings and supporting documentation from the recipients to conclude on CRF compliance. Without this information provided up front, the designated City employees' could not ensure that only allowable expenditures were charged to CRF. For example, three recipients charged unallowable rent and parking costs totaling approximately \$19,000 to CRF for the reviewed contracts. The expenses were not incurred due to the pandemic and were already accounted for in the recipients' budgets. Upon notification from the auditor, the recipients replaced these costs with allowable expenditures.
- Multiple City departments and organizations were allocated CRF funding to provide similar programs and services which could lead to overlapping/duplicate payments for the same services and period. The auditor noted this occurred for the issued rental assistance payments.
- The scope of services outlined in one of the executed contracts did not reflect the actual work performed by the recipient. The contract terms and conditions indicated that the recipient was to provide resources and information to connect Richmond Public Schools students/families living in (RRHA) communities to virtual learning; however, OCWB provided the services. The recipient acted as a fiscal agent for OCWB and processed payments for the expenditures.
- The City departments/agencies did not consistently amend the contracts for the modifications made after they were fully executed. For example, funding to provide hotel rooms for COVID-19 positive citizens that could not safely isolate at home was reallocated to cover the overages for another agreement. However, an amendment to transfer the funds was not processed. Also, contracts were not amended to reflect the extended CRF expenditure deadline.

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- Four contracts for one recipient did not include administrative/operational/unrestricted costs in the scope of services. However, they retained \$71,000 of the funds for administrative costs under these contracts. According to City management, the City has an agreement with the recipient, which allows them to retain 10% of the awards for administrative costs.
- Copies of fully executed contracts were inconsistently maintained.

### Criteria:

In accordance with the certification submitted to the State of Virginia to receive the CRF funds, the City was responsible for:

- ensuring that the funds were used for allowable expenditures and adhering to federal guidelines;
- retaining supporting documentation such as payroll time records, invoices, and sales receipts; and
- returning any funds not spent by the required deadline to the State.

The contracts outlined the performance measures and the reporting requirements. Additionally, the recipients agreed to conduct their activities in accordance with the federal laws, regulations, and guidance applicable to the CARES funding and repay funds to the City for any identified ineligible expenditures.

### Cause:

A small window of time for planning and spending the CRF funds upon receipt and a need for improved oversight at the City created the foundation for the above observations. Additionally, this work was performed in the midst of a global pandemic and new practices had to be implemented to distribute the funds.

- The City received its initial installment of CRF funds from the State in June 2020 and the second installment in August 2020. Given the original expenditure deadline of 12/30/2020 imposed by the federal government, the City had minimal planning time to get the various programs and services up and running. The City's priority was to

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maximize the amount of financial assistance and services provided to the citizens and businesses in a timely manner.

- The responsibilities for administering and monitoring the CRF funds were delegated to various City departments and this responsibility was in addition to their regular daily operational duties. They were expected to ensure compliance with CRF guidelines and contract terms with limited training and oversight. The City does not have a centralized grants management and oversight function to assist the departments. In many cases, City departments relied on the recipients to properly administer the funding with limited oversight. Also, the federal government amended the CRF guidance several times

### **Effect:**

Without improved grant management and oversight, the City cannot effectively monitor the sub-recipients' performance to ensure compliance with the contract terms and conditions and adherence to the CRF guidelines. As such, the City was at risk of using CRF funds to pay for services that were not provided or unallowable expenditures. Any identified ineligible expenditures will have to be replaced with allowable costs or returned to the State resulting in the City absorbing the costs. Also, without properly executed contracts, it may be challenging to bind the recipients to the contract terms and conditions without a representative's signature.

The City is receiving substantial funding from the American Rescue Plan Act (ARPA) and improved sub-recipient monitoring and grant management governance will be beneficial to the City moving forward.

### **Recommendation:**

- 1. We recommend that the Chief Administrative Officer (CAO) establish a centralized grant management and sub-recipient oversight and monitoring function for the City to ensure:*
  - *Grants are being properly administered to ensure compliance, including obtaining required reports and expenditures are allowable and adequately supported;*
  - *Grant contracts' scope of services clearly defines duties, responsibilities, and expectations of the recipients and that copies of fully executed contracts are maintained;*

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- *Grant contracts identify funds that recipients can retain for administrative/operational/unrestricted expenses; and*
- *City staff charged with grant management and sub-recipient oversight receive proper training; and assistance in identifying grant opportunities for City departments.*

### ***Finding #2 – Rental Assistance***

#### **Condition:**

The City executed three grant contracts totaling approximately \$8.5 million with two grant recipients (grantees) to provide eviction prevention and diversion services to citizens impacted by the pandemic. The funding was used to pay delinquent rent and associated costs for eligible tenants meeting various criteria such as those noted below.

- Living in rental housing in the City of Richmond with a valid lease;
- Gross household income (adjusted for family size) at or below 80% of the Area Median Income for the Richmond Petersburg Metropolitan Statistical Area (MSA);
- Experienced a decrease in income or increase in expenses due to the pandemic (i.e., lost or reduced wages; had to stay home to care for children due to daycare and school closures; increased child care costs); and
- Rent amount is at or below 150% of the Fair Rental Value in the Richmond-Petersburg MSA.

Rental assistance payments totaling approximately \$8 million were issued for 3,420 tenants. The remaining grant funds were utilized for program and administrative costs. Below is a summary of the assistance payments by program type.

<b>Program Name</b>	<b>No. of Tenants that Received Rental Assistance<sup>6</sup></b>	<b>Total Rental Assistance</b>	<b>Range of Rental Assistance Per Tenant</b>	<b>Avg. Assistance Amount</b>
Eviction Prevention	2978	\$ 6,999,502	\$7 - \$21,000	\$ 2,276
Eviction Diversion	442	\$ 1,083,346	\$106 - \$13,000	\$ 2,451

Created by City Auditor’s Office using tenant payment listings from the grant recipients

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<sup>6</sup> Count includes tenants that were captured multiple times as they received assistance through both programs and duplicate payments were inadvertently made for some tenants.

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The tenants entered into the programs through one of the following avenues:

- Applications were submitted directly to the grant recipients – The grantees screened the applications and reviewed supporting documentation (i.e., proof of income and leases) to determine if the tenants were eligible. The tenants' rental ledgers were used to determine the assistance amounts. The assistance payments were remitted directly to the landlords.
- The Office of Community Wealth Building (OCWB) remitted a listing of Richmond Redevelopment Housing Authority (RRHA) tenants and their outstanding balances to the grant recipients to process payments. The grantees issued the rental assistance payments based upon the information provided by OCWB.

The auditor initially tested 20 assistance payments from the diversion program and 44 from the prevention program totaling approximately \$487,000. The sample selection from the prevention program included 16 tenants that applied directly with the grantee and 28 RRHA tenants that were provided by OCWB. The auditor generally noted that rental assistance payments issued on behalf of residents that worked directly with grantees were compliant with grant requirements and CRF guidelines.

However, numerous payments made through the indirect process established by OCWB for RRHA tenants were noncompliant with CRF guidelines. Outstanding balances prior to March 1, 2020, totaling approximately \$46,000, were inappropriately captured in the rental assistance payments for 50% (14 out of 28) of the reviewed RRHA tenants. Also, a duplicate payment totaling approximately \$8,000 was issued for the same tenant. As a result, the auditor expanded the testing to review for duplicate or overlapping payments issued by the grantees for RRHA tenants.

Ultimately, the various testing for the RRHA tenants' rental assistance payments revealed unallowable and duplicate payments totaling approximately \$84,000 were charged to CRF funding as shown below:

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- Outstanding balances prior to March 1, 2020<sup>7</sup> totaling approximately \$58,000 were improperly included in the rental assistance payments. Per the federal guidance, expenditures prior to March 1, 2020, cannot be funded with CRF funds.
- Duplicate rental assistance payments totaling approximately \$22,000 were inadvertently issued by one of the grantees.
- OCWB submitted funding requests to both grantees for the same RRHA tenants. Both grantees issued payments for the same clients and, in some cases, for the same rental periods, resulting in overlapping assistance payments totaling approximately \$3,900.

It should be noted that the auditor's sample only included 46 RRHA tenants, which represents about 3% of the 1,377 payments that could be readily identified as RRHA tenants, and the dollar amount of improper and duplicate payments issued to RRHA could be significantly higher.

### **Criteria:**

According to the guidance (*Federal Register Volume 86, No. 10*), assistance can only be provided for payments incurred from March 1, 2020, to December 31, 2021.

The executed grant contracts include that the recipient acknowledges that certain eligible activities, including eviction diversion and prevention of homelessness due to the COVID-19 pandemic, are allowable uses of federal CARES Act funding provided to the City. Additionally, "should the Recipient's use of the grant funds be determined ineligible for CARES Act funding, Recipient shall repay all Grant Funds to the City."

### **Cause:**

The grantees did not use their standard screening procedures for the batches of RRHA tenants remitted by OCWB. The assistance payments were processed based on the information provided by OCWB. Based upon the email communications between OCWB and RRHA:

- The tenants' eligibility would be pre-determined, allowing the grantees to remit payments to RRHA upon request. However, it was unclear who was supposed to conduct the eligibility screening.

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<sup>7</sup> March 1, 2020, date was used to coincide with the CRF requirements. The grantees used April 1, 2020 to calculate the rental assistance payments, which is more stringent than CRF requirements.



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- RRHA would provide OCWB an Excel spreadsheet with the tenants' names, addresses, household composition size, and the total amount owed for each resident, an updated ledger for each tenant, and proof of income.

The roles and responsibilities were not clearly established; therefore, ledger reconciliations were not performed prior to payment.

### Effect:

CRF funding was used for ineligible expenditures totaling at least \$84,000. This amount could be significantly higher. In addition to non-compliance with the CRF guidance, these funds could have been used to assist more residents in danger of eviction.

### Recommendation:

2. *We recommend the Interim Director of OCWB work with the third-party grant recipients to identify and totalize the payments made for RRHA tenant rental payments and work with the Departments of Finance and Budget and Strategic Planning to replace eligible costs and report any changes in the expenditure categories to the State.*

### *Finding #3 – Business and Non-Profit Assistance*

#### Condition:

The Economic Development Authority (EDA) received CARES funds to support businesses and non-profit organizations affected by the pandemic. The City's Department of Economic Development (DED) provided staffing and administrative support to the EDA to administer the grant programs. The following table outlines the expenditures by program:

Program	CARES Funds Received	Total Program Expenditures	Difference
Business Recovery Loan to Grant	\$304,806	\$923,920	(\$619,114)
Richmond Recovers I & II	\$ 5,200,000	\$5,235,343	(\$35,343)
Emergency Childcare*	\$311,233	\$311,233	\$0.00
Small Business Development Center	\$50,000	\$50,000	\$0.00
<b>Totals</b>	<b>\$5,866,039</b>	<b>\$6,520,496</b>	<b>(\$654,457)</b>

*Created by the City Auditor's Office using payment data from DED.*

*\* \$469,272 was provided for this program. The unused funding totaling \$158,039 was returned to the City.*

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The auditor reconciled the program expenditures as noted above. Ordinance No. 2022-029 was adopted on February 2, 2022, to appropriate \$660,000 of the anticipated increase in the real estate tax revenues to reimburse the EDA for the Business Recovery Loan to Grant Program.

The unused funds totaling \$158,039 for the Emergency Childcare Program were returned to the City. The funds were reallocated to cover Department of Public Works cleaning expenses.

The auditor could not conclude if the expenditures (\$50,000) for the Small Business Development Center complied with the CRF guidance due to lack of documentation. The funding request indicated that the recipient would assist small businesses access capital, marketing, and business planning and start-up guidance. However, supporting documentation on how the recipient used the funding was not provided; therefore, the auditor could not verify compliance.

Staff from the DED and the Office of Minority Business Development (OMBD) individually reviewed batches of applications. The Program Administrator in DED was one of the staff that participated in the screening process. According to the DED Director, a committee approved applications after staff screening. The Program Administrator processed the payments for eligible recipients. The Program Administrator was shown as the creator, approver and releaser of funds on the ACH records.

### **Criteria:**

The loan and grant applications were screened for eligibility by staff from OMBD and DED. The Program Administrator in DED issued payments to the approved applicants and tracked the program expenditures on spreadsheets. Per the Administrator, he provided the expenditures spreadsheets to the EDA accounting firm for reconciliation. However, the accounting firm did not provide formal reporting.

Per the grant contracts, EDA was to return any remaining funding to the City. Additionally, these funds must comply with CRF guidance and be utilized no later than December 31, 2021.

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### Cause:

Prior to the Audit, DED did not have a formal reconciliation process. Many applications for assistance had to be processed in a short time frame during the pandemic.

### Effect:

Internal controls could have been improved by not having the payment processor participate in the screening of applications. The auditor cannot conclude if approximately \$50,000 of the allocated CARES funding complied with CRF guidelines. Improved records reconciliation reduces the risk of overspending and non-compliance.

### Recommendations:

- 3. We recommend that the Director of Economic Development develop and implement policies and procedures for periodic reconciliation of EDA expenditures.*
- 4. We recommend that the Director of Economic Development separate the duties of screening/approving applications from the processing of payments.*

### *Finding #4 – Ambassador's Program (Virtual Learning Project)*

#### Condition:

Approximately \$429,000 of CRF funds were used to facilitate the public housing community education engagement model (virtual learning) to:

- Provide resources to connect Richmond Public School (RPS) children living in Richmond Redevelopment and Housing Authority (RRHA) communities to virtual learning;
- Bridge the gap between communities and schools, connect RRHA children and families with resource information; and
- Connect children to education supplies.

The Office of Community Wealth Building's (OCWB) Ambassador's Program facilitated this model. While the Ambassador's Program was implemented prior to the pandemic, the Program's focus and staffing were expanded to meet community needs. The Ambassadors went door-to-door in the public housing communities identifying the residents' needs and connecting

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them to available resources. Per the Program Coordinator, the Ambassadors provided services such as:

- assisting the residents applying for rental and utility relief assistance;
- distributing desks and chairs to provide dedicated workspaces for virtual learning; and
- distributing literature regarding the pandemic.

The expenses for the Ambassador's Program for the virtual learning project are depicted in the following table:

Item Category	Amount Expended
Staffing Agency – Temp Hires	\$210,493.19
Equipment/Furniture/ Supplies	\$117,477.18
Apparel	\$71,340.85
Mask	\$4,452.50
Cleaning Supplies	\$18,764.00
Storage Units	\$6,970.00
<b>Total</b>	<b>\$429,497.72</b>

Created by the City Auditor's Office from the invoices and payment ledgers

### 1. Staffing Agency – Temp Hires

During the pandemic, the Program increased the number of Ambassadors by utilizing a temporary staffing agency. OCWB did not provide four of the five invoices requested, totaling approximately \$69,000 for review. The auditor selected a sample of payroll periods for six employees totaling approximately \$12,000 and noted the following:

- All of the reviewed expenditures complied with CRF funding guidelines.
- \$9,600 of the expenditures tied to the employees' timecards.
- An employee's timecards were not provided for two reviewed pay periods. As such, the auditor could not conclude if \$1,954 agreed to the timecards.
- Six other timecards not in the sample had staff hours that were incorrectly calculated, resulting in a total overpayment of \$132.

### 2. Equipment, Furniture, and Supplies:

These expenditures were used for setting up offices in public housing communities, tutoring hubs, school supplies for RPS students and laptops for the Ambassadors, Supervisors and

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community use. These expenses were generally in compliance with CRF guidelines. However, the auditor noted the below observations.

- **Supporting Documentation** - Adequate supporting documentation was not maintained to support the expenditures. Receipts and shipping documentation (i.e., packing slips) were not obtained. The retailer that sold the items to the Program had to be contacted to get the receipts.
- **Gift Cards** - The grantee processed a payment for the retailer based upon a quote. Upon the retailer filling the order, some items were no longer available, or the price changed, resulting in a refund. The difference between the check amount and the actual purchase amount was returned in gift cards totaling \$4,000. Approximately \$900 of the gift cards were used to purchase shelving and desks. The Program Coordinator indicated they used the remaining gift cards for various program expenditures, such as payment for the storage units and gas for the rental trucks used to transport the materials and supplies. However, supporting documentation was not maintained to verify how the cards were used. As such, the auditor cannot conclude on CRF compliance for these expenditures.
- **Inventory Procedures** are not in place to track the distribution of the purchased items and the on-hand quantities. The items are maintained in locked storage units, and the Program Coordinator is the custodian of the key. The Coordinator indicated there was a weekly distribution day in which all of the Ambassadors' Supervisors came and picked up weekly supplies.
- **Items Not Used** - A significant amount of the purchased items are still in storage one-year after purchase. The quantity and dollar amount of the items on-hand are unknown as inventory tracking was not in place. Per the Coordinator, items were purchased for several initiatives, which were not fully implemented. For example, projectors and sound systems were purchased for the tutoring hubs. However, the Program was unable to secure tutors for this initiative.

Also, due to the disruption in the supply chain, some items such as cleaning supplies were purchased in bulk when they could locate them. There is no plan for how the items

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in storage will be used or distributed. Currently, the City is incurring \$716 a month in rental fees for four storage units.

**3. Apparel for the Ambassadors**

The below apparel items were purchased to allow the Ambassadors to be highly visible and recognizable in the community. Uniforms were not provided to the Ambassadors prior to COVID.

Item Type	Total Number of Each Purchased
Ambassador Embossed Masks Youth (25) Adult (425)	450
T-Shirts (Adult)	450
Golf Shirts	200
Oxford Shirts	15
Dress Twill No-Iron Shirts	5
Button Up Shirts	2
Hoodies	425
Reflective Safety Vests	200
Safety Winter Parka Reflective	72
Rain Jacket Charles River	1
Rain Ponchos (One Size)	100
Rain Ponchos (Youth)	15
Beanie Hats	300
Caps	200
Shoes	150

Created by the City Auditor's Office from the invoices

The volume of items purchased exceeded the number of Ambassadors. During the audit scope, the auditors confirmed the employment of **62** "Community Connectors" working as Ambassadors. The CRF guidance does not prohibit such purchases. However, the volume of purchased apparel does not appear to correlate to the number of Ambassadors and a large quantity of the purchased apparel is still on hand in the storage units. The exact amount on hand is unknown as inventory procedures were not in place.

Criteria:

**Payment for Temporary Staffing**

The Ambassadors and Supervisors are temporary staff paid by the staffing agency. The Ambassadors and Supervisors track their work hours on weekly timecards. The Supervisors approve the Ambassadors' timecards, and the Program Coordinator approves the Supervisors' timecards. The Supervisors are responsible for ensuring the Ambassadors' timecards are calculated correctly. The Program Coordinator is responsible for ensuring the Supervisors' timecards are correct. The approved timecards are remitted to the staffing agency weekly for payment. The staffing agency, in turn, bills the City for payment. Payroll records are retained for each employee.

**Grant Expenditures**

Per the Program Coordinator, he obtained approval from his former supervisor and submitted the required payment request forms to the grantee to process the payments.

Cause:

Adequate oversight and training was not provided to the Program Coordinator to allow the staff to efficiently and effectively carry out job duties. Also, adequate controls and procedures were not in place to ensure proposed Program initiatives were properly assessed and solidified prior to purchasing materials and supplies. In addition, daily hours worked were not reconciled to the total hours to be paid.

**Effect:** The lack of oversight and training resulted in a breakdown in pivotal internal controls resulting in the audit observations noted above, including CRF funds not being used as efficiently as possible.

**Recommendations:**

*5. We recommend the DCAO of Human Services implement oversight and monitoring of the Ambassador's Program to include:*

- *Staff receive sufficient training and guidance to efficiently and effectively carry out job duties and administer the Program;*

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- *Adequate documentation is obtained to support expenditures;*
- *Funding is used in the most efficient manner; and*
- *Program initiatives are fully vetted and solidified before purchasing materials and supplies.*

*6. We recommend that the DCAO of Human Services develop a plan for how the items in storage will be used and/or distributed to the communities in need.*

### ***Finding #5 – Family Crisis Funds – Gift Cards Internal Controls***

#### **Condition:**

Approximately \$1.2 million in CRF funding was allocated to support the Family Crisis Fund, a partnership between the City and the Robins Foundation. The Fund provided a \$500 gift card to individuals that experienced a loss of income due to COVID-19. The City contracted with a single grantee to purchase a total of 2,278 gift cards that were distributed by:

- Community partners such as the YWCA, Richmond Public Schools, and several City departments (1278 cards); and
- OCWB staff and during various distribution events throughout the City (1000 cards).

The auditor tested a sample of eight community partners that received a total of 458 gift cards and noted minor exceptions, for a net difference of seven cards, in the distribution and tracking process. The auditor also reviewed OCWB's distribution process and noted the following opportunities for improvement:

#### **Application Process**

Individuals that did not receive a gift card through the community partners were required to apply for assistance through the RVAStrong website. Per OCWB's Master Intake Report, 2,500 applications were submitted through the website. The auditor analyzed the application data and noted:

- 29 individuals received gift cards; however, there is no evidence that an application was submitted;



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- 33 applications were approved and gift cards were issued; however, the applicants did not complete the eligibility questions; and
- 23 applications – the auditor could not determine if the applicants received a gift card due to lack of documentation. The Intake Report did not indicate if the applicants received a gift card or were deemed ineligible.

### Eligibility and Screening

Per the Family Crisis Fund policy and procedures, OCWB staff was responsible for verifying and documenting the applicants' previous income and proof of loss income. Employees, volunteers, or board members of the City of Richmond, the grantee, or the Robins Foundation were not eligible for funding. However, screening procedures were not in place to ensure compliance with these requirements. The information provided by the applicants was self-certified and supporting documentation was not required.

### Duplicate Assistance Payments

Only one gift card was allowed per individual/household. OCWB staff reviewed the applicants' addresses to monitor for duplicate funding requests and identified numerous instances of multiple funding requests, and deemed them ineligible.

The auditor analyzed OCWB's Master Report, which included 2,500 applications, and noted six applicants/households received more than one gift card. Below is a summary of the analysis results:

Category	Count
Applicant Received More than One Payment	1
Same Household Received More than One Payment	5

Prepared by Auditor.

### Gift Card Distribution and Inventory

- Per OCWB staff, all of the purchased gift cards (2,278) were distributed. However, the auditor was unable to confirm the number of gift cards that were distributed based upon review of the distribution documentation. The initial distribution documentation that was provided to the auditor indicated 2,254 gift cards were distributed. Upon following

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up with the OCWB staff regarding this, subsequent documentation was provided that indicated 2,267 gift cards were distributed, which equates to 11 unaccounted-for gift cards totaling \$5,500.

However, the number of gift cards unaccounted for may be higher as:

- 68 of the distribution entries in the Master Intake Report did not have gift card numbers; and
- 9 of the distribution entries in the Master Intake Report had duplicate gift card numbers.

Below is a summary of the gift card distribution analysis using the most recent distribution documentation:

<b>Community Partners Listing</b>	<b>Master Intake Report</b>	<b>Number of Cards Distributed</b>	<b>Number of Cards Purchased</b>	<b>Unaccounted for Gift Cards</b>	<b>\$ Value for Unaccounted For Gift Cards</b>
1,278	912	2,190*	2,278	88	\$ 44,000
1,278	989	2,267	2,278	11	\$ 5,500

\* Calculation = the number of distribution entries (2,267) – entries without gift card numbers (68) – entries with duplicate gift numbers (9),

Created by Auditor.

- OCWB held community events where the approved applicants could pick up their gift cards. The former OCWB Director and Policy Advisor led two of these events. The applicants were required to provide identification and sign to receive the cards. The signature sheets could not be located and provided to the auditor. The two employees who coordinated the events are no longer with the City.
- OCWB staff indicated they counted the gift cards on hand after the distributions; however, this procedure was not formalized or documented.

### Gift Card Procurement Process

The grant recipient was awarded \$1.210 million to purchase 2,278 gift cards for OCWB. The gift cards were in \$500 increments totaling \$1.139 million. The recipient was allowed to retain the remaining \$71,000 for administrative costs, of which approximately \$2,600 was used to cover processing and shipping fees for the cards. Per OCWB and Human Services staff, the grantee

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was used to purchase the gift cards as they were under the impression that this was the only allowable way to procure the cards. Utilizing the grantee to purchase the gift cards, given the percentage they can retain as administrative costs, is not cost-effective or the most efficient use of CRF funds.

### Criteria:

Per OCWB's Family Crisis Fund Process Policy, the individuals interested in receiving assistance were required to submit an application through the City's website. The OCWB staff screened the applicants for eligibility, including loss of income due to pandemic, new/increased childcare costs, and households with children 18 years or younger (for Robins Foundation funding only). OCWB contacted the eligible applicants to schedule a time to pick up their cards.

OCWB staff emailed the community partners in December 2020, notifying them of the opportunity for their program participants to receive \$500 gift cards. The community partners were instructed to complete the Client Information Template for eligible participants and return it to OCWB. The community partners picked up the gift cards and signed a receipt identifying the number of cards received, who received the cards, and the date.

Individuals and families were only allowed to receive one gift card. OCWB tracked the distributed gift cards in the following documents:

- Master Report – This contained a listing of all applications submitted through the City's website. The report included the applicant's name, contact information, application date, if and when the applicant received a gift card, and the eligibility questions.
- Community Partner Listing – This contained a listing of partners that received gift cards, including the number of gift cards picked up, who picked up the gift cards, and when.

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### **Cause:**

Adequate controls and procedures were not in place for the gift card distribution process. OCWB does not have robust policies and procedures to account for the number of gift cards on-hand and a formalized tracking and reconciliation process. Also, in order to help as many people as quickly as possible, eligibility and verification processes were not applied consistently. Leadership and staff changes contributed to OCWB's inability to provide some of the documentation requested.

### **Effect:**

Due to the inconsistencies in the distribution documentation, a proper reconciliation cannot be completed. Also, multiple gift cards were issued to the same individual or household. Citizens that submitted applications may not have received assistance as needed. The City is in the process of receiving American Rescue Plan Act Funds, of which a portion was expected to be distributed to citizens in the form of gift cards. The lack of internal controls can result in:

- Assistance being awarded to ineligible recipients;
- Gift cards being misappropriated;
- Inadequate accountability of gift card distributions; and
- Funding not being used in the most effective and efficient way.

### **Recommendation:**

*7. We recommend the Interim Director of OCWB either eliminate the use of gift cards for future assistance OR if used enhance the internal controls over the process to include:*

- *Improve inventory controls;*
- *Ensure applicants meet eligibility requirements;*
- *Monitor for duplicate assistance requests; and*
- *Use a cost effective means to procure the gift cards.*

*Finding #6 – Hazardous Bonus Payments*

**Condition:**

The City issued bonuses totaling approximately \$3.8 million across 40 departments/offices for non-exempt and exempt staff who were essential to the continuous function of the City during March 16th - May 18th of 2020, which is when the City was closed to the public. The bonuses were funded through the Coronavirus Relief Fund (CRF). Many departments were unaware of the payment source, as the program was centrally administered. Some of the issued bonuses were incorrectly charged to CRF. The guidance only allowed hazard pay for staff performing a hazardous duty or work involving physical hardship specifically related to COVID-19. Prior to the report issuance, the hazardous bonus payments were reallocated to the City's general fund, and expenditures were replaced with police salaries, which are allowable CRF expenditures.

**Criteria:**

The Federal Coronavirus Relief Fund (CRF) Guidance states that "hazard pay may be covered using payments from the Fund if it is provided for performing hazardous duty or work involving physical hardship that in each case is related to COVID-19". For example, hazard pay for a police officer working in close contact with the public to enforce public health and public safety orders is an allowable CRF expenditure. However, across the board, hazard pay for all members of the police department regardless of duties is not an allowable CRF expenditure. The CRF Guidance also indicates that workforce bonuses other than hazard pay and overtime are not allowable expenditures from this fund.

**Cause:**

City Departments were not informed of the source for payments nor provided adequate guidance to determine if employees appropriately met the identified criteria for hazardous bonus pay per the CRF guidance.

**Effect:**

Some of the bonuses were initially improperly classified to CRF. However, the hazardous bonus payments were replaced with allowable CRF expenditures prior to the report issuance.

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**Recommendation:**

No recommendation is issued as the hazardous bonus payments were replaced with allowable CRF expenditures prior to audit report issuance.

*Finding #7 – Supporting Documentation for Invoices Charged to CARES Act (CRF)*

**Condition:**

The State of Virginia provided allocations to localities from the federal Coronavirus Relief Funds (CRF) based upon population size. The City of Richmond received approximately \$40.2 million in CRF funding. As of December 31, 2020, the City had expended approximately \$37.6 million of this funding to procure goods and services such as emergency child care services, personal protective equipment (PPE), small business assistance, homelessness and housing support, COVID-19 testing and contact tracing, hazardous bonuses, and telework capability improvements.

The auditor tested 54 invoices and 30 P-card transactions totaling approximately \$6.1 million for compliance with the federal CRF guidance and to ensure adequately supported and noted:

- Fifty-two (52) invoices and all of the reviewed P-Card transactions totaling approximately \$5.5 million complied with the federal CRF guidance and were adequately supported.
- Two invoices totaling approximately \$600,000 from the Richmond Ambulance Authority (RAA) did not include detailed supporting documentation for the invoiced amounts. The invoices only contained expenditure descriptions (i.e., COVID-19 testing, PPE, employee payroll) and totals as demonstrated in the below invoice extract.

<b>Description</b>	<b>Amount</b>
Invoice for CARES Act funding: <b>(Please use ACH account on file for payment)</b>	
RAA - COVID-19 Testing & Contact Tracing (Acct. #: 70557, Task 101.2)	\$ 32,174.00
RAA - Payroll for Public Health & Safety Employees (Acct. #: 64108, Task #: 106.1)	\$ 224,491.00
RAA - Personal Protective Equipment (PPE) (Acct. #: 71011, Task #: 107.3)	\$ 93,436.00
<b>TOTAL AMOUNT DUE</b>	<b>\$ 350,101.00</b>

The auditor contacted RAA and requested a listing of expenditures that made up the total for each invoice. Initially this was not readily available but after providing more time, RAA provided

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a listing of the CRF expenditures and supporting documentation. The auditor selected a random sample of expenditures from each invoice totaling approximately \$147,000 and noted:

- All of the reviewed expenditures were adequately supported;
- Expenditures totaling approximately \$123,000 complied with CRF guidance; and
- Expenditures totaling approximately \$24,000 did not comply with CRF guidance as they were not incurred due to COVID or were purchased prior to March 1, 2020.

In addition, the auditor noted that approximately \$225,000 in hazardous bonus payments were charged to CRF. RAA used the same criteria that the City used to issue the bonuses. As such, some of the issued bonuses may have been incorrectly charged to CRF as the guidance only allowed hazardous pay for staff performing a hazardous duty or work involving physical hardship specifically related to COVID-19.

Prior to the report issuance, the hazardous bonus payments and the unallowable expenditures noted above were replaced with public safety payroll and benefits costs, which are allowable CRF expenditures.

### **Criteria:**

According to guidance (*Federal Register Volume 86, No. 10*) published by the Treasury Department, funding from the Coronavirus Relief Fund may be used to cover costs meeting the following criteria:

- 1.) Expenditures were necessary and incurred due to the public health emergency with respect to COVID-19;
- 2.) Were not accounted for in the budget most recently approved as of March 27, 2020; and
- 3.) Were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021. (Note, this end date was extended from December 31, 2020.)

Per the memo from the State regarding funding allocations, localities are responsible for:

- Ensuring compliance with the federal guidance; and
- Maintaining necessary documentation to ensure compliance with federal requirements.

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### Cause:

Each City department, authority, or organization that the City allocated CRF funding to were responsible for ensuring compliance with the requirements and maintaining documentation. Unlike City departments, RAA's payroll and vendor expenditures are not processed in the City's financial system. Therefore, the payroll transactions and individual vendor invoices that made up the totals were not captured in the system. Payments were issued based upon the invoices from the RAA, which only included expenditure descriptions and totals. The City did not request additional supporting documentation to account for totals listed on the invoices. Also, it is unclear what guidance (if any) was provided to City departments, authorities, or other organizations that were allocated CRF funding regarding documentation and expenditure tracking requirements and expectations.

### Effect:

The City is responsible for ensuring that the CRF funds are spent for allowable expenditures. It is difficult to determine if expenditures meet the CRF guidelines without adequate supporting documentation. RAA replaced the unallowable/questionable expenditures totaling approximately \$249,000 with allowable expenditures.

### Recommendation:

- 8. We recommend that the DCAO for Finance and Administration develop documentation and tracking requirements for pandemic related expenditures and communicate such expectations to non-City departments and organizations that are allocated funding, to include the payment requests are adequately supported.*



## Appendix A

Funding Purpose	No. of Grant Contracts	Grant Amount	Funding Description
Homeless Services and Shelter	6	\$ 2,237,390.00	Provide safe indoor accommodations for families and individuals experiencing homelessness including meals and transportation
Rental Assistance	3	\$ 8,550,000.00	Provide rental assistance for City of Richmond residents with delinquent account balances that were impacted by the pandemic (e.g. lost wages, increased child care costs due to school closures, etc.)
Facilitate Virtual Learning	1	\$ 380,000.00	Provide resources and information to connect Richmond Public Schools students/families living in Richmond Redevelopment Housing Authority (RRHA) communities to virtual learning
Emergency Child Care	2	\$ 1,497,485.40	Provide emergency childcare services within the City including staffing, equipment, personal protective equipment and supplies
Financial Assistance for Citizens	7	\$ 1,328,800.00	Provide financial assistance to individuals that were impacted by the pandemic (e.g. lost income or new childcare costs due to school closures). One-time \$500 gift cards were provided to eligible individuals. Also, 18 selected families received \$500 per month for one year.
Business Loans and Grants	4	\$ 5,554,806.38	Provide loan and grant funding to small business located within the City
Isolation Program*	2	\$ 300,000.00	Arrange and provide hotel rooms for individuals testing positive for COVID-19 and could not safely isolate at home and provide food and other necessities
Contact Tracing	1	\$ 100,000.00	Provide support and staffing for the COVID-19 Contact Tracing Program
<b>Totals</b>	<b>26</b>	<b>\$ 19,948,481.78</b>	
* \$100,000 of funding was used for virtual learning			

Created by City Auditor Office using the grant contract information

**APPENDIX B: MANAGEMENT RESPONSE FORM**

**2022-10 CARES Act Audit**

#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
1	<p>We recommend that the Chief Administrative Officer (CAO) establish a centralized grant management and sub-recipient oversight and monitoring function for the City to ensure:</p> <ul style="list-style-type: none"> <li>• Grants are being properly administered to ensure compliance, including obtaining required reports and expenditures are allowable and adequately supported;</li> <li>• Grant contracts' scope of services clearly defines duties, responsibilities, and expectations of the recipients and that copies of fully executed contracts are maintained;</li> <li>• Grant contracts identify funds that recipients can retain for administrative/operational/unrestricted expenses; and</li> <li>• City staff charged with grant management and sub-recipient oversight receive proper training; and assistance in identifying grant opportunities for City departments.</li> </ul>	<b>Y</b>	The Office of Strategic Planning and Budget will create a process centralizing grants management for the City.
	<b>TITLE OF RESPONSIBLE PERSON</b>		<b>TARGET DATE</b>
	Director, Budget and Strategic Planning		1-Jun-23
	<b>IF IN PROGRESS, EXPLAIN ANY DELAYS</b>		<b>IF IMPLEMENTED, DETAILS OF IMPLEMENTATION</b>
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
2	<p>We recommend the Interim Director of OCWB work with the third-party grant recipients to identify and totalize the payments made for RRHA tenant rental payments and work with the Department of Finance and Budget and Strategic Planning to replace eligible costs and report any changes in the expenditure categories to the State.</p>	<b>Y</b>	Actively engaged in research with RRHA. A team from RRHA is investigating all of the payments to confirm eligibility.
	<b>TITLE OF RESPONSIBLE PERSON</b>		<b>TARGET DATE</b>
	Interim Director of OCWB and Operations Coordinator		30-Jun-22
	<b>IF IN PROGRESS, EXPLAIN ANY DELAYS</b>		<b>IF IMPLEMENTED, DETAILS OF IMPLEMENTATION</b>
	In Progress; delays surfaced as a result of the change of leadership at RRHA. Once resolved, RRHA has committed to rectifying the issue.		
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
3	<p>We recommend that the Director of Economic Development develop and implement policies and procedures for periodic reconciliation of EDA expenditures.</p>	<b>Y</b>	The EDA has a process to reconcile EDA expenditures. The process is being updated and documented to include batch processing of multiple grant payments made during large-scale one-time grant programs.
	<b>TITLE OF RESPONSIBLE PERSON</b>		<b>TARGET DATE</b>
	Director of Economic Development		31-Dec-22
	<b>IF IN PROGRESS, EXPLAIN ANY DELAYS</b>		<b>IF IMPLEMENTED, DETAILS OF IMPLEMENTATION</b>
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
4	<p>We recommend that the Director of Economic Development separate the duties of screening/approving applications from the processing of payments.</p>	<b>Y</b>	The Department of Economic Development and the Economic Development Authority of the City of Richmond are documenting procedures to ensure separation of duties between screening / approving applications for grants and processing grant payments.
	<b>TITLE OF RESPONSIBLE PERSON</b>		<b>TARGET DATE</b>
	Director of Economic Development		31-Dec-22
	<b>IF IN PROGRESS, EXPLAIN ANY DELAYS</b>		<b>IF IMPLEMENTED, DETAILS OF IMPLEMENTATION</b>

**APPENDIX B: MANAGEMENT RESPONSE FORM**

**2022-10 CARES Act Audit**

#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
5	<p>We recommend the DCAO of Human Services implement oversight and monitoring of the Ambassador’s Program to include:</p> <ul style="list-style-type: none"> <li>• Staff receive sufficient training and guidance to efficiently and effectively carry out job duties and administer the Program;</li> <li>• Adequate documentation is obtained to support expenditures;</li> <li>• Funding is used in the most efficient manner; and</li> <li>• Program initiatives are fully vetted and solidified before purchasing materials and supplies.</li> </ul>	<b>y</b>	The DCAO for Human Services has established an Ambassador Team for oversight and monitoring. The team is comprised of representatives from OCWB, Human Services, Office of Strategic Communications and Civic Engagement, and the Ambassadors. All decisions about job duties and responsibilities, appropriate documentation and funding, scheduling and standard operating procedures is administered by the team. The team meets weekly.
	<b>TITLE OF RESPONSIBLE PERSON</b>		<b>TARGET DATE</b>
	DCAO Human Services and Ambassador Team		31-May-22
	<b>IF IN PROGRESS, EXPLAIN ANY DELAYS</b>		<b>IF IMPLEMENTED, DETAILS OF IMPLEMENTATION</b>
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
6	<p>We recommend that the DCAO of Human Services develop a plan for how the items in storage will be used and/or distributed to the communities in need.</p>	<b>y</b>	The items in the storage units have been inventoried. More Ambassadors are being hired, so the supplies will be distributed as appropriate to new Ambassadors and the communities. The protocol will be administered by the Ambassador Team, along with appropriate documentation.
	<b>TITLE OF RESPONSIBLE PERSON</b>		<b>TARGET DATE</b>
	DCAO Human Services and Ambassador Team		1-Apr-22
	<b>IF IN PROGRESS, EXPLAIN ANY DELAYS</b>		<b>IF IMPLEMENTED, DETAILS OF IMPLEMENTATION</b>
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
7	<p>We recommend the Interim Director of OCWB either eliminate the use of gift cards for future assistance OR if used enhance the internal controls over the process to include:</p> <ul style="list-style-type: none"> <li>• Improve inventory controls;</li> <li>• Ensure applicants meet eligibility requirements;</li> <li>• Monitor for duplicate assistance requests; and</li> <li>• Use a cost effective means to procure the gift cards.</li> </ul>	<b>y</b>	OCWB staff has developed an SOP to map the process for granting gift cards. There is revised eligibility criteria that is being prepared in accordance with auditor recommendations. Additional tracking, monitoring, cross-referencing and internal controls have been identified to ensure there aren't any duplicate assistance requests. OCWB met with city auditors and the city attorney's office to discuss the process to procure gift cards and what other alternative options are available.
	<b>TITLE OF RESPONSIBLE PERSON</b>		<b>TARGET DATE</b>
	Interim Director of OCWB and Operations Coordinator		30-Jun-22
	<b>IF IN PROGRESS, EXPLAIN ANY DELAYS</b>		<b>IF IMPLEMENTED, DETAILS OF IMPLEMENTATION</b>
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
8	<p>We recommend that the DCAO for Finance and Administration develop documentation and tracking requirements for pandemic related expenditures and communicate such expectations to non-City departments and organizations that are allocated funding, to include the payment requests are adequately supported.</p>	<b>Y</b>	The DCAO for Finance and Administration will develop a policy and procedure for pandemic related expenditures and communicate such expectations to non-City departments and organizations that are allocated funding, to include the payment requests are adequately supported.
	<b>TITLE OF RESPONSIBLE PERSON</b>		<b>TARGET DATE</b>
	Director of Economic Development		1-Jun-22
	<b>IF IN PROGRESS, EXPLAIN ANY DELAYS</b>		<b>IF IMPLEMENTED, DETAILS OF IMPLEMENTATION</b>