



CITY OF RICHMOND
City Auditor's Office

DATE: March 7, 2023

TO: Lincoln Saunders
Chief Administrative Officer

FROM: Louis Lassiter *LL*
City Auditor

SUBJECT: Citywide - Continuous Auditing

The City Auditor's Office has completed the Citywide - Continuous Auditing 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
Sabrina Joy-Hogg, DCAO of Finance & Administration
Robert Steidel, DCAO of Operations
Reginald Gordon, DCAO of Human Services
Sharon Ebert, DCAO of Economic Development
Melvin Carter, Chief of Fire & Emergency Services

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City of
RICHMOND
Office of the City Auditor

Audit Report# 2023-10
Citywide – Continuous Auditing
March 7, 2023



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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 FY2023 audit plan approved by the Audit Committee. The main objective for this audit was to compile and produce an annual report of the following activities and test for exceptions.

- Leave in excess of limits – Floating Holiday, Holidays, FMLA;
- Employee/Vendor matching – Search for potential conflict of Interest;
- Overtime Earners greater than 1,040 hours per calendar year;
- Separated Employees paid more than two weeks after their separation dates;
- Separated Employees with Computer System Access;
- Top 40 Vendors Payments;
- Duplicate Payments; and
- Payments to Miscellaneous Vendors.

What We Recommend:

We recommend:

- The CAO provide monthly overtime reports to City Council’s Governmental Standing Committee as noted in the Resolution.
- Identified City Departments recover identified duplicate payments from the vendors by either receiving a refund of the overpayment or a credit on future invoices:
- The Fire Department’s Deputy Director for Support Services perform a review of the 12 hours of unsupported overtime and take appropriate corrective action.



Continuous Auditing

Background

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.”

What Works Well

Employee Separation & Access to City Systems

The Auditor analyzed CY2022 separate employee listing to the active directory listing to determine if separated employees had access to City systems after separation from employment. There were two (2) employees found to have active directory access after their separation dates, however, as of the date of testing (January 2023), access had been removed.

Top 40 Paid Vendors

The Auditor extracted from RAPIDS the FY2022 top 40 paid vendors in the City with a total distribution amount of \$1,588,442,335. The Auditor reviewed each of the vendors and determined 20 of the top 40 vendors had active contracts with the City while the remaining 20 had payments for various transfers, non-departmental, debt service, i.e. Based on the review of the top-paid invoices for the 20 vendors with active contracts, it was determined that payments were reasonable based on the contract and invoice descriptions.

Employee/Vendor Matching

A total of 44,620 vendor payments for FY2022 were matched against employee file data to identify potential conflicts of interest. Twenty-nine City vendors matched City employees’ information, no conflicts of interest were identified.

Needs Improvement

Finding #1 –Use of Miscellaneous Vendor

The City’s use of the Miscellaneous Vendor attribute declined by over \$4 million from FY2021 to FY2022. However, the amount paid to the Miscellaneous Vendor for FY2022 was still \$10,909,680. Use of the Miscellaneous Vendor Attribute has been noted as a Significant Deficiency on the External Auditor’s Report on Internal Controls for the last six years. We tested a limited sample of 41 payments focusing on those that had received 15 checks or \$25,000 or more, and noted no exceptions.

Finding #2 –Duplicate Payments

For FY2022, the auditors analyzed 1,367 City invoices greater than \$300 to identify potential duplicates. There were 19 invoices identified as duplicate payments which totaled approximately \$34,323. Two duplicates were recovered prior to the audit leaving a remaining \$33,053 for recovery.

Findings #3, 4, & 5 –Leave in Excess of Limits (FMLA) (Holiday) (Floating Holiday)

For CY2022, it was determined that:

- 7 employees exceeded the established FMLA paid leave thresholds for Paid Parental Sick and Paid Maternity/Bonding by 194.75 hours or \$5,706.
- 13 employees had excess holiday leave of 230.5 or \$5,679.
- 36 employees had excess floating holidays and required adjustments valued at approximately \$7,300.

Additional Findings –Leave in Excess of Limits (Holiday)

Additional Findings related to Earnings Paid Beyond Separation and Overtime are noted in the report as well.

Management concurred with **3 of 3** 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

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.”

Payments to City Employees

The City pays employees on a bi-weekly basis. At the end of the payroll cycle, each department is responsible for ensuring that employee time is entered and approved. The Payroll Division processes a payroll run before final payroll validation, allowing departments to review and process corrections. Payroll earnings for CY2022 were as follow:

Payroll Element ¹	CY2022 Total Dollars Paid
Regular City Payroll All Departments	\$280,321,032
Overtime	\$ 25,910,134
Holiday	\$ 10,389,340
Floating Holiday	\$ 401,136
FMLA Paid Leave	\$ 2,108,015
Vacation	\$ 14,099,328

¹ The totals represented below only depict totals keyed to the identified payroll elements in RAPIDS.

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During CY2022, the total number of newly hired City employees was **659**, and the total number of separations from City service was **620**. Department timekeepers and Human Resource Liaisons are responsible for the on-boarding and off-boarding of City employees from RAPIDS for City payroll.

Overtime

The Fair Labor Standards Act states nonexempt employees must be paid overtime at a rate of time and a half when they work in excess of typically 40 hours or more depending on the type of employment. Law enforcement and fire protection employees are subject to different standards. The City of Richmond does not have a citywide policy to limit overtime hours. However, the City has a policy that excludes counting vacation, sick, holiday, compensatory time, or other leave as hours worked for the purposes of computing overtime with the exception of sworn public safety employees.

On September 13, 2021, City Council passed resolution 2021-R046 for the Mayor to address overtime by issuing an administrative regulation that requires supervisors to not expose employees to the safety and health risks caused by working extended overtime hours over long periods. Additionally, the resolution states that the Chief Administrative Officer (CAO) present monthly financial and activity reports by agency on the number of overtime hours worked by each employee and the dollar value paid to each employee.

As identified in prior City audits, employees earn significant amounts of overtime in many City departments. Overtime hours for the City increased in CY2022 when compared to CY2021. The below table represents the total overtime hours and dollars paid in each City department during CY2021 and CY2022:

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Department Name	Total CY2021 Overtime Hours	Total CY2021 Overtime Dollars	Total CY2022 Overtime Hours	Total CY2022 Overtime Dollars	Change CY2021 to CY 2022 (OT hours)
Animal Care and Control	1,545	\$45,004	2,349	\$75,036	↑804
Budget	76	\$2,540	48	\$1,673	↓28
CAO's Office	12	\$490	20	\$835	↑8
Circuit Court	37	\$1,234	184	\$7,290	↑147
Citizen Service & Response	659	\$19,314	651	\$21,939	↓8
City Library	122	\$3,308	219	\$7,063	↑97
Commonwealth Attorney	128	\$5,022	75	\$3,125	↓53
Community Wealth Building	45	\$1,319	1	\$35	↓44
Emergency Communications	20,949	\$706,406	23,695	\$845,124	↑2,746
Economic Development	72	\$3,188	67	\$3,026	↓5
Finance	2,674	\$84,303	3,820	\$130,100	↑1,146
Fire & Emergency Services	172,491	\$5,736,093	193,357	\$7,266,935	↑20,866
Human Resources	1	\$45	19	\$694	↑18
Human Services	4	\$153	-	-	↓4
Information Technology	221	\$8,055	268	\$10,210	↑47
Justice Services	1,834	\$61,711	6,406	\$224,593	↑4,572
Mayor's Office	472	\$13,352	303	\$10,337	↓169
Minority Business Development	308	\$8,604	1,265	\$41,010	↑957
Parks & Recreation	14,800	\$412,674	15,437	\$464,874	↑637
Planning & Development Review	1,078	\$39,527	1,048	\$40,177	↓30
Police Department	151,129	\$6,635,484	162,418	\$8,051,379	↑11,289
Press Secretary	62	\$2,156	-	-	↓62
Public Utilities	77,633	\$2,713,157	76,218	\$2,897,609	↓1,415
Public Works	47,544	\$1,456,404	58,734	\$1,937,543	↑11,190
Sheriff's Department	78,229	\$2,633,075	82,741	\$3,027,658	↑4,512
Social Services	12,284	\$454,856	18,016	\$686,610	↑5,732
Office of Elections	7,441	\$217,701	4,395	\$153,176	↓3,046
Office of Strategic Communication & Civic Engagement	-	-	56	\$2,081	↑56
Grand Total	591,849	\$21,265,176	651,810	\$25,910,134	↑59,961

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Holiday/Floating Holiday

Administrative Regulation 5.2 outlines the designated number of holidays each year. In calendar year 2022, a floating holiday was granted to City employees who start on or before May 1st. A total of **128** holiday hours were granted and paid to non-public safety City employees during CY2022. The Mayor may issue additional one-time-only Holidays, in CY2022 there were two additional holidays.

FMLA Paid Leave

According to the United States Department of Labor, FMLA “is a federal law that provides eligible employees of covered employers with unpaid, job-protected leave for specified family and medical reasons.” During a given 12-month period, eligible employees may take up to 12 weeks of unpaid leave for the following events:

- Birth or placement of a child (including adoption, foster, and bonding time);
- Care of an immediate family member with a qualifying serious health condition;
- Serious health condition of the employee (including pregnancy or COVID); and
- Qualifying needs of immediate family members for military and active-duty members.

Effective July 1, 2019, the City of Richmond implemented Administrative Regulation 4.3-A for paid Parental Leave (PPL). PPL works in conjunction with FMLA which means employees must meet the eligibility requirements as outlined by FMLA and cannot exceed the number of hours allowed.

During CY2022, **527** City employees recorded time to one of the FMLA earnings elements with approximately **74,945** hours totaling **\$2,108,015**. FMLA leave may have been impacted by the COVID pandemic.

Employee Separation – Active Directory

Each City Department has at least one Automation Coordinator (AC). The AC submits a System Access Privilege Request (SAPR) to separate employees within their departments from the City's

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Active Directory as well as other City systems. The City's Active Directory is an employee account in the City's employee database that allows them to access the City's network, email, and other City systems to perform their duties.

Payments to City Vendors

Duplicate Payments

The City implemented an Optical Character Recognition (OCR) invoice scanning system (OnBase) in FY2019, which synchronizes with RAPIDS to upload invoices once matched with receipts to process payments. The OCR identifies the vendor, invoice number, purchase order number, and the amount and matches to the City's financial system. Departments manage their invoices processing. Once department representatives key receipts in OnBase, the invoice is processed and loaded into RAPIDS for processing. The RAPIDS system has built-in controls to detect and prevent the payment of duplicate invoice numbers to the same vendor. Factors external to the system that contributes to the risk of duplicate payments are the following:

- Duplicate vendors set up in the system;
- Inconsistent manually assigned invoice numbers;
- Lack of invoice date and/or number on the invoice;
- Multiple purchase orders/receipts; and
- Same invoice numbers paid by different departments.

During FY2022, approximately **78,855** vendor invoices totaling over **\$1.95** billion were processed.

Miscellaneous Vendor

The City has procurement regulations in which vendors are set up with a supplier ID and they are held to procurement policies and standards. The Miscellaneous Vendor attribute allows users to bypass the procurement process and issue payments to vendors. The main purpose of this was to be able to issue one-time payments for Social Services, Jury Duty, voting workers, and refunds. If multiple payments were to be issued, the vendor would be set up as a supplier through procurement.

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OBJECTIVE

The objective of this audit is to compile and produce a report of the following activities and test for exceptions (other reports may also be developed):

- Leave in excess of limits – Floating Holiday, Holiday, FMLA
- Employee/Vendor matching
- Overtime Earners greater than 1,040 hours per calendar year
- Analysis of highest-paid vendors
- Separated Employees paid for more than 2 weeks after their separation dates
- Separated Employees with Active Directory System Access
- Duplicate Payments
- Conflict of Interest – City Payments & Employee Listing

SCOPE

The data analysis scripts will be broken into two separate scope periods as follows:

Calendar Year Analysis:

- Leave in excess of limits – Floating Holiday Hours, Holiday Hours, FMLA Leave
- Overtime Earners greater than 1,040 hours per calendar year
- Separated employees paid more than two weeks after their separation dates
- Separated employees with Active Directory System Access

Fiscal Year Analysis:

- Duplicate Payments
- Employee/Vendor Matching – Conflicts of Interest
- Top 40 Vendor Payments

METHODOLOGY

For most of the data analysis, the auditors did not select samples (except for Top 40 Vendors and Overtime Analysis). RAPIDS data was input into a data analytics software and the auditors analyzed the

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data for potential exceptions utilizing scripts. Additional analysis was performed on the exceptions as follows:

- Analyzed payroll and vendor payments;
- Compared analysis results to source documents;
- Inquired with City departments on analysis results; and
- Performed other tests, as deemed necessary to identify potential exceptions.

MANAGEMENT RESPONSIBILITY

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

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 the internal controls related to the Continuous Auditing Objectives need to be improved.

FINDINGS and RECOMMENDATIONS

What Works Well

Employee Separation & Access to City Systems

Condition:

The Auditor analyzed the CY2022 separated employee listing to the active directory listing to determine if separated employees had access to City systems after separation from City employment. There were two employees found to have active directory access after their separation dates, however, as of the date of testing (January 2023), access had been removed. The following table outlines a three-year trend of the number of separated employees with active directory accounts:

Year	Number of Employees
2020	67
2021	101
2022	2 ²

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Department Automation Coordinators submit System Access Privilege Requests (SAPRs) in the form of Service Requests (SRs) to notify the Department of Information Technology (DIT) that an employee has separated from City employment. In addition, Human Resources (HR) sends DIT a monthly report of separated employees. In the past DIT would not remove access until a SAPR was received, however as of July 1, 2022, if an employee's name is on the list received from HR access is removed immediately.

² These employees were identified during extrapolation of the initial data, however during testing it was found that their access had been removed.

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Criteria:

Administration Regulation 2.6 indicates that it is the responsibility of the employee's manager and automation coordinator to notify the DIT to remove system access.

Standard Operating Procedure "*Personnel Life Cycle & Position Control*", effective August 1, 2021, which outlines procedures for employee separation, which includes notification by the HR Generalist to Department Automation Coordinators to deactivate network/software access.

Additionally, separated employees should not have continued access to the City's systems.

Cause:

Some City Departments did not submit SAPRs to remove access for applicable employees.

Effect:

Separated employee accounts remain active in the City's Directory, which could result in inappropriate access to City Systems after an employee terminates employment. Due to DIT's proactive approach, the two employees identified had their access removed before testing occurred.

Top 40 Paid Vendors

Condition:

The Auditor extracted from RAPIDS the FY2022 top 40 paid vendors in the City with a total distribution amount of **\$1,588,442,335**. The Auditor reviewed each of the vendors and determined the following:

- 20 of the top 40 vendors had active contracts with the City;
- 20 vendors had payments for various transfers, non-departmental, debt service, payroll-related, healthcare, and payments on behalf of Richmond Public Schools.

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Payments to the 20 vendors with active contracts ranged from **\$3,377,688** to **\$133,614,898** as noted below:

Vendor Name	Total Payments	Contract with the City	Contract Description
BP ENERGY COMPANY	\$133,614,898	Yes	Natural Gas Supply
HMI Utilities, LLC	\$18,865,207	Yes	Installation of Water Facility & Natural Gas
Mastec North America INC	\$17,132,995	Yes	Water Leak Repairs and Meter Installations
LEE HY PAVING CORP	\$12,317,619	Yes	1 Inch Mill and Overlay Paving
J R PIERCE INC	\$12,188,276	Yes	Permanent Restoration of Utilities
PMA Management Corp.	\$10,165,167	Yes	Worker's Compensation
Southwood Building Systems INC	\$9,591,550	Yes	Grit Removal
MEDIKO PC	\$8,744,670	Yes	Inmate Medical
CorTech LLC	\$6,635,533	Yes	Temp Agency
WASTE MANAGEMENT OF VIRGINIA	\$5,891,100	Yes	Public Works Solid Waste
POSSIE B CHENAULT INC	\$5,869,347	Yes	Annual Stormwater Replacement & Installations
Tidewater Utility Construction	\$4,973,586	Yes	Annual Stormwater Replacement & Installations
GREELEY AND HANSEN LLC	\$4,731,060	Yes	Wastewater & Stormwater Utility Engineering Services
510 Delaware	\$4,665,558	Yes	Goods and Services - Janitorial Services
Garney Companies, INC	\$3,937,003	Yes	Supply Main and Inlet Valve Replacement
Benchmark VA LLC	\$3,856,790	Yes	Underground Utility Locating Services
AON RISK SERVICES SOUTH INC	\$3,814,265	Yes	Insurance Agent/Broker of Record Services
COLONY CONSTRUCTION INC	\$3,668,386	Yes	Mill and Overlay Paving
Granite Inliner, LLC	\$3,382,709	Yes	Annual sewer rehabilitation services cured in place pipe project
G.L. HOWARD INC	\$3,377,688	Yes	Stormwater & Wastewater Repair Services

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Based on the review of the top-paid invoices for the 20 vendors with active contracts, it was determined that the payments were reasonable based on the contract and invoice descriptions.

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The following table represents a three-year trend from FY2020 to FY2022:

Fiscal Year	Vendors had Contract with the City	Invoices Aligned with Contracts	Total	# Reviewed
2020	Yes	Yes	\$ 212,013,657	10
2021	Yes	Yes	\$ 177,323,943	11
2022	Yes	Yes	\$ 277,423,407	20

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Of note, the total dollar amounts of the contracts and the number of contracts reviewed increased in 2022. This was due to an increase in the number of top vendors selected. The 2022 review included the top 40 versus the top 25 in years past.

Criteria:

Payments to the top vendors should be contracted as required by the City's procurement code and supported with documentation for the disbursements made.

Cause:

For the top vendors and disbursements tested City departments complied with the procurement code by having active contracts along with supporting documentation.

Effect:

Based on the limited review of the top 40 vendors with active contracts, no irregularities were identified for the payments reviewed. Unidentified irregularities may still exist but were not detected.

Employee/Vendor Matching

Condition:

A total of **44,620** vendor payments for FY2022 were matched against employee data file information to identify potential conflicts of interest. **Twenty-nine** City vendors matched City employees' information. Based on a review of all invoices paid to these employees, no conflicts of interest were identified. Payments to the employees were for expense reimbursements, travel advances/settlements, education, community events, and certifications.

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Criteria:

The Department of Procurement Services (DPS) Purchasing Policy #23 Conflict of Interest outlines the City's policy related to procurement transactions. DPS's policy is consistent with the City Code and Code of Virginia related to Conflict of Interest. The purpose of the policy is to serve as a guide to using departments on managing and avoiding conflicts as the "expenditure of public funds requires the highest degree of public trust and impeccable standard of conduct." In the policy, family interests such as services purchased from a relative or their business are identified as a common conflict.

Cause:

Procurement regulations are in place in the Department of Procurement Services. They have also implemented a training program to educate City employees on Conflicts of Interest.

Effect:

Based on the analysis completed of the vendor file to the employee data file we did not identify any conflicts of interest for this testing period. Unidentified conflicts may still exist but were not detected.

What Needs Improvement

Finding #1 – Use of Miscellaneous Vendor

Condition:

The City has a Miscellaneous Vendor attribute which allows users to bypass the City's procurement process for supplier registration. The main purpose of this supplier code was to issue payments for Social Services, Jury Duty, Voter Registration, and refunds. Use of the Miscellaneous Vendor Attribute has been noted as a Significant Deficiency on the External Auditor's Report on Internal Controls for the last six years. If the purchase was for good or services or multiple payments were going to be made, then the supplier would have to be set up in the City's system with their own

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supplier account. The auditor noted the usage of the Miscellaneous Vendor Code declined from FY2021 to FY2022 as noted below:

Category	FY2021 Value	FY2022 Value
# of Misc. Vendors	12,301	9,467
# of Checks	18,306	13,779
Amount Paid to Misc. Vendors	\$15,159,674	\$10,909,680

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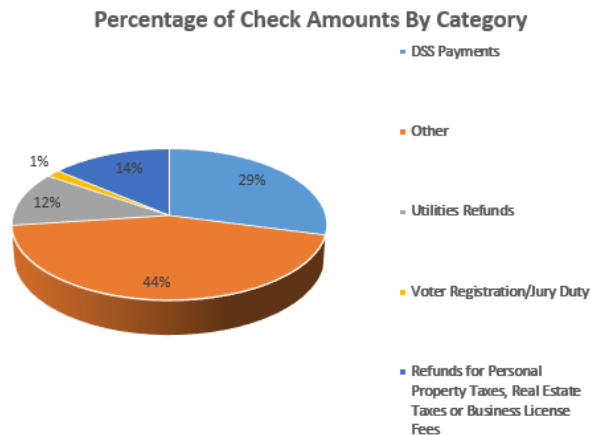
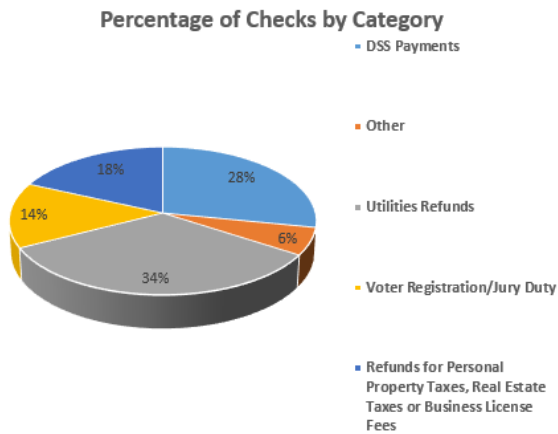
After reviewing the invoice descriptions, the auditor broke down miscellaneous vendor payments by the number and amount of checks per category. The following table and pie charts show the breakdown.

Payment Type	# of Checks	Check \$ Total
DSS Payments	3,873	\$3,174,613
Other	829	\$4,779,237
Utility Refunds	4,593	\$1,266,843
Voter Registration/Jury Duty	1,969	\$ 173,868
Refunds for Personal Property Taxes, Real Estate Taxes or Business License Fees	2,515	\$1,515,119
Grand Total	13,779	\$10,909,680

**NOTE: Some payments within the "other" category could belong to one of the categories noted, however, based on the invoice description, the auditor could not make the determination.*

Payment Type	% of Checks		% of Check \$ Total	
	FY2021	FY2022	FY2021	FY2022
DSS Payments	23%	28%	20%	29%
Other	6%	6%	23%	44%
Utility Refunds	36%	34%	10%	12%
Voter Registration/Jury Duty	15%	14%	2%	1%
Refunds for Personal Property Taxes, Real Estate Taxes, or Business License Fees	20%	18%	45%	14%

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After analyzing the FY2022 miscellaneous vendor payments, the auditor noted:

- 566 misc. vendors were issued at least 3 checks.
- 189 misc. vendors were paid more than \$10,000.
- 99 checks were written for more than \$10,000.

Check Amount (\$)	Count	% of Total
<100.00	5,138	37%
100.00-249.99	2,751	20%
250.00-499.99	1,244	9%
500.00-999.99	3,642	26%
1,000.00-2,499.99	583	4%
2,500.00-9,999.99	322	2%
10,000.00-24,999.99	58	<1%
>25,000.00	41	<1%
TOTAL	13,779	100%

Vendor Amount Rec.	Count	% of Total
<500.00	7,744	82%
500.00-999.99	511	5%
1,000.00-2,499.99	469	5%
2,500.00-9,999.99	554	6%
10,000.00-49,999.99	165	2%
50,000.00-99,999.99	11	<1%
>100,000.00	13	<1%
TOTAL	9,467	100%

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Both tables total more than 100% due to rounding.

The auditor reviewed support documents of one payment for each vendor with:

- Greater than 15 checks or
- Greater than \$25,000 in checks received

Based on the review of 41 payments, the auditor noted no exceptions. The payments were to citizens for tax or utility refunds, settlements, or tax sale of properties.

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Criteria:

Suppliers should have to go through the standard Procurement process for the registration of new suppliers/vendors. The process includes:

- Reviewing the vendor for conflicts of interests with City employees,
- Comparing the vendor to the debarment list, and
- Ensuring IRS for W-9 and any other applicable forms are completed.

Cause:

Use of the miscellaneous vendor reduces the time it takes to pay a vendor as the standard procurement vendor registration process can be avoided.

Effect:

Without going through the standard vendor registration through Procurement, there is an increased risk of:

- Using suspended or debarred vendors,
- Using vendors with relationships to City employees creating conflicts of interest, and
- Fraud.

Recommendation:

The 2021 Report on Internal Controls noted the use of Miscellaneous Vendors as a Significant Deficiency and the City agreed to the finding and provided the following Management Response:

“Procurement services will establish miscellaneous vendor supplier records by payment types to align to source and purpose for creation. Additionally, Procurement services will create a dashboard and validate the use of the miscellaneous vendor payment types.”

We will not issue a duplicate recommendation but will coordinate with the external auditor and continue to perform this analysis as a part of continuous auditing.

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Finding #2 – Duplicate Payments

Condition:

For FY2022, the auditors analyzed City invoices greater than \$300 for vendor name, invoice date, and invoice amount to identify potential duplicate payments. A total of 1,367 invoices were analyzed and reviewed in detail totaling approximately \$11.7 million for potential duplicates. Additionally, one invoice was identified in another test step as a potential duplicate totaling \$198.68 and was added to testing. The following was identified:

- 19 invoices were identified as duplicate payments (**(\$34,323.40)**).
 - 17 duplicates, from 6 departments, have not been recovered by the City as noted below: (**(\$33,053.40)**)

Department	Duplicate Invoices Not Recovered
Fire and Emergency Services	\$ 523.00
Public Utilities	\$18,148.58
Public Works	\$7,182.65
Social Services	\$3,515.85
Finance	\$673.00
Library	\$3,010.32

Auditor Prepared Table

- 2 duplicates were recovered prior to the audit (**(\$1,270)**).

Criteria:

System controls in RAPIDS prevent the same invoice numbers from being paid for the same amount and vendor site code. Department employees responsible for processing invoices should monitor and validate invoice accuracy and not bypass system controls.

Cause:

Duplicates resulted from the vendor sending over the duplicate twice or the same invoices were paid to the same company under two different names. It is the responsibility of the department to ensure that

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vendor invoices are not processed multiple times and the information in the system matches what is on the invoice.

Effect:

City vendors were paid multiple times resulting in duplicate funds being expended for services not received. However, the amount was not large as a part of the total invoices analyzed as potential duplicates. This could result in the loss of thousands of dollars for the City.

Actions Taken

The auditors have communicated the identified duplicates to the six departments, and they have or are working to make corrections as necessary.

Recommendation:

1) We recommend the following City departments recover identified duplicate payments from the vendors by either receiving a refund of the overpayment or a credit on future invoices:

- *Fire and Emergency Services*
- *Public Utilities*
- *Public Works*
- *Social Services*
- *Finance*
- *Library*

Finding # 3 - Leave in Excess of Limits (FMLA)

Condition:

We analyzed CY2022 employee earnings for all Paid FMLA Leave and identified 8 employees exceeding the established paid leave thresholds, however, one employee was not an exception.

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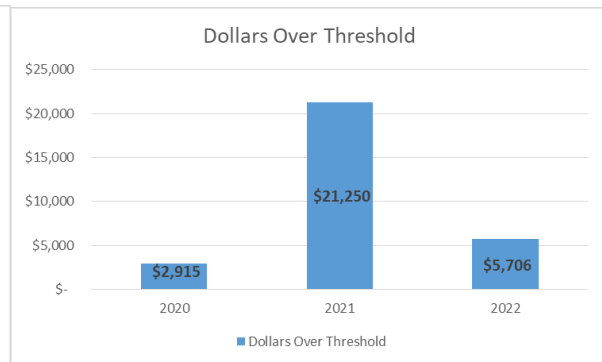
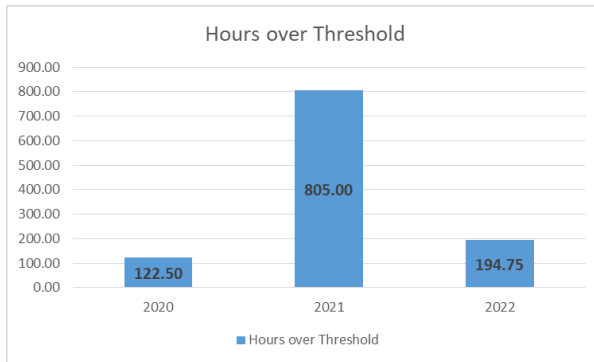
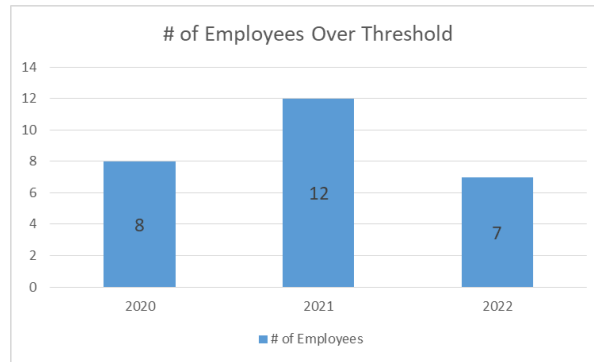
The following table outlines overages by FMLA Paid Leave type:

FMLA Paid Leave Type	Number of Employees	Total Hours Over Threshold	Total Dollars Over Threshold
Paid Parental Sick	3	86.25	\$1,854
Paid Maternity/Bonding	4	108.5	\$3,852
Totals	7	194.75	\$5,706

Auditor Prepared Table

Per the Department timekeepers, all adjustments for the FMLA paid leave overages were adjusted before it was brought to the attention of the department. However, one adjustment was not provided to audit and one requires a correction.

Below is the three-year trend of Employees, hours over threshold, and dollars over threshold for FMLA.



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Criteria:

Effective July 7, 2018, the City implemented Paid Parental Leave for various FMLA categories. The table below outlines the City’s Administrative Regulation 4.03A outlines the type of event and the number of weeks that can be granted as paid leave to eligible employees:

FMLA Paid Leave Type	Period Granted	Leave Use
Birthing Mothers	8 weeks	Continuous
Stillbirth (birthing mother)	4 weeks	Continuous
Bonding – non-birthing parent	8 weeks	Continuous or intermittent
Adoption/foster care placement	8 weeks	Continuous or intermittent
Care for sick parent	4 weeks	Continuous or intermittent

Auditor Prepared

Cause:

Supervisors did not have proper oversight to ensure the accuracy of leave taken by their direct reports. Also, RAPIDS does not restrict the number of hours recorded to the paid leave line items.

Effect:

The City granted excess Paid Parental Sick or Bonding Leave to 7 employees totaling 194.75 hours in excess of the allotted number of hours. This overage totaled approximately \$5,700 which was recovered.

No new recommendations will be issued as the recommendation from a prior continuous audit related to this area is still open.

Finding #4 – Leave in Excess of Limits (Holiday Leave Hours)

Condition:

The auditors analyzed holiday hours paid during CY2022 and identified 25 employees with holiday leave hours that were more than the allotted hours. Of the 25, the following was determined:

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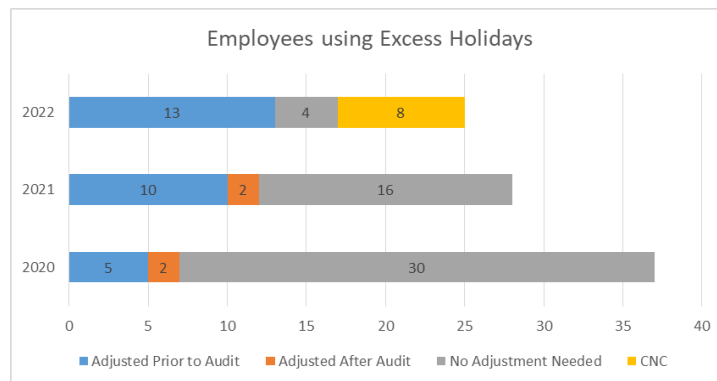
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- 13 of the identified employees required an adjustment to the employee's totaling 230.50 hours and \$5,679 and were made prior to the audit.
- 4 employees did not require an adjustment because a Holiday Credit was used or there was a keying error.
- 8 employees the auditor could not conclude if leave adjustments were required or made.

This information has been sent to timekeepers for further analysis.

The below table represents the three-year trend for excess holidays used by employees.



Auditor Prepared

Criteria:

According to Administrative Regulation 5.2, employees are allotted a predetermined number of holidays and one floating holiday during each calendar year. Except for shift personnel, City employees are granted eight hours for holidays.

Cause:

Supervisors did not have proper oversight to ensure the accuracy of leave taken by their direct reports. Also, the system does not restrict the number of holiday hours recorded.

Effect:

Improper keying and approval of additional holiday hours resulted in employees showing higher balances resulting in **\$5,679** of additional holiday pay. This oversight also resulted in loss of productivity due to

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additional administrative work by the departments, HR, and central finance to make the necessary adjustments.

No new recommendations will be issued as the recommendation from a prior continuous audit related to this area is still open.

Finding #5 – Leave in Excess of Limits (Floating Holiday Hours)**Condition:**

The auditors analyzed the CY2022 floating holiday hours and identified 55 employees with floating holiday earnings where employees took multiple floating holidays or hours exceeded 8 hours. Of these, the following was determined:

- 36 required adjustments to leave balances. **(\$7,336)**
- 11 had already been corrected prior to the audit. **(\$2,390)**
- 3 did not require adjustments as the employees had left the City. **(\$1,018)**
- 5 the auditor could not conclude. **(\$1,392)**
 - 2 were noted by the department as done, however, support was not provided. **(\$712)**

In reviewing employees hired after May 1st, the auditors identified one employee from the Police Department who used a floating holiday that they had not earned totaling 11.5 hours and **\$304**.

The following table outlines floating holiday overages by department:

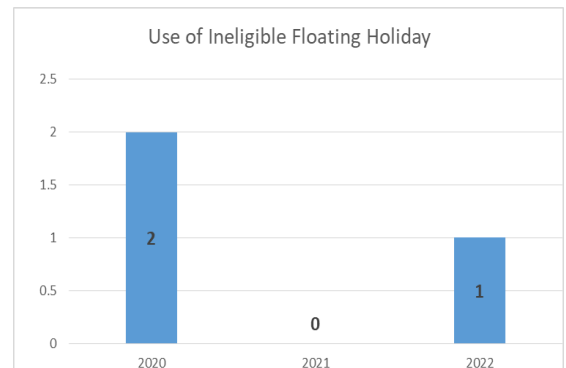
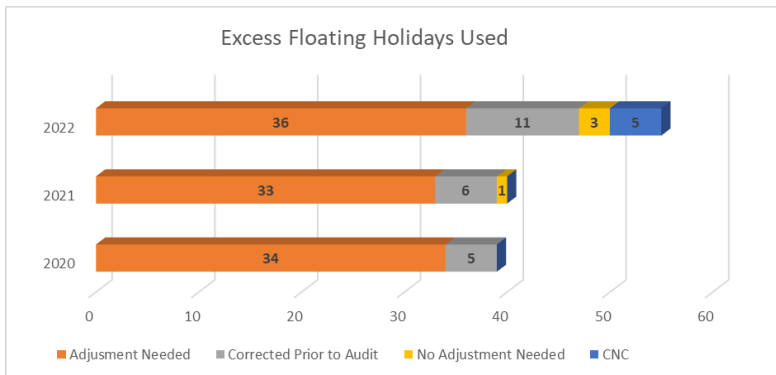
Department	Number of Employees with Floating Holidays Over Threshold	Number of Employee Adjustments Identified due to the Audit	Total Earnings for Floating Holidays Over Threshold
City Attorney	1	1	\$147
Human Services	1	1	\$170
Fire	1	0	\$420
Police	2	CNC	\$712
Department of Emergency Communications	1	0	\$269

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Department	Number of Employees with Floating Holidays Over Threshold	Number of Employee Adjustments Identified due to the Audit	Total Earnings for Floating Holidays Over Threshold
Parks & Recreation	1	0	\$216
Public Utilities	14	7	\$2,542
Public Works	14	9 (2 CNC)	\$2,755
Planning and Development	3	3	\$645
Social Services	10	9	\$2,221
Mayor's Office	1	1	\$359
Citizen Service and Response	1	1	\$141
Human Resources	1	1	\$256
Justice Services	2	2	\$346
Procurement	1	1	\$596
Finance	1	CNC	\$341
Totals	55	36	\$12,136

Auditor Prepared Table
 *Could Not Conclude (CNC)

The below graphs demonstrate the three-year trend of Excess Floating Holidays taken by employees.



Auditor Prepared Graphs

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Criteria:

According to Administrative Regulation 5.2:

- Employees are allotted a predetermined number of holidays and one floating holiday during each calendar year. Except for shift personnel, City employees are granted eight hours for holidays.
- Employees who are employed by the City by May 1st of each year are eligible for a floating holiday.

Cause:

Supervisors did not have proper oversight to ensure the accuracy of leave taken by their direct reports. Also, the system did not restrict the number of floating holiday hours recorded to holiday line items although a system enhancement was put in place in late CY2022.

Effect:

Improper keying and approval of additional holiday and floating holiday hours resulted in employees showing higher vacation and sick leave balances. This resulted in extra floating holiday pay. Additional administrative work is required to make the necessary adjustments.

These errors have been communicated to the respective departments and their timekeepers for corrections to be made.

Finding #6 – Earnings Paid Beyond Separation

Condition:

The auditors analyzed earnings beyond the identified employee separation dates for the following:

Earnings Beyond 14 Days of Separation

The auditor identified **24** employees paid beyond 14 days after the separation date in RAPIDS for the City. Based on inquiries with department representatives and a review of supporting documentation it was determined that:

- **One** employee was overpaid in the amount of **\$1,692** and as of February 2023, it has not been recovered.

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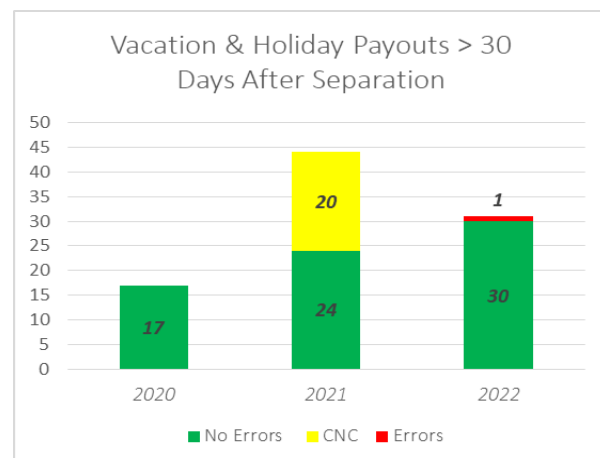
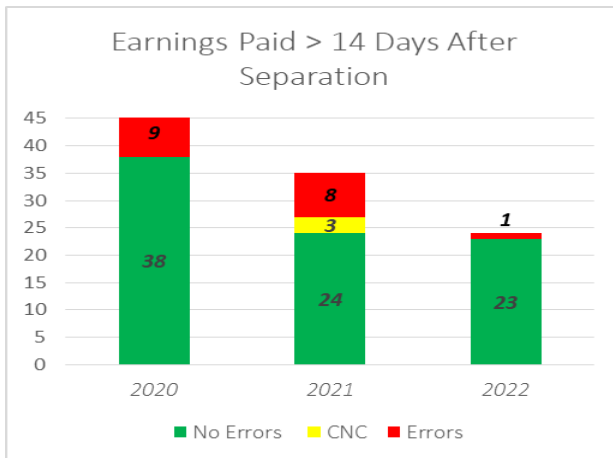
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Payouts Beyond 30 Days After Separation

The auditor identified **31** employees paid more than 30 days after their separation date with the City. Of those employees, it was determined:

- **One** employee received an overpayment in the amount of **\$582** that has not been recovered.

The following graphs depict the three-year trend of payments to employees after separation from 2020 through 2022.



Auditor Prepared Charts

Criteria:

Standard Operating Procedure “*Personnel Life Cycle & Position Control*”, effective August 1, 2021, outlines procedures for the separation of employees or Off-Boarding as follows:

- Hiring Manager notifies the HR Generalist immediately upon receipt of notice that an employee is separating (1 Day);
- HR Generalist emails notices of separation to the following:
 - Automation Coordinator to deactivate network/software access;
 - HR Benefits to end benefit elections;
 - Department timekeepers to confirm leave and related final pay; and
 - Security to deactivate City Badge access. (1 Day)
- HR Generalist will complete and submit the HR Transaction Form to initiate the separation process in RAPIDS; and
- HR Generalist will complete and submit the “Payroll Transaction Form” via email to the Finance Department for leave payout and facilitate the final payout.

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Cause:

City Departments provided numerous reasons for delays in processing employee earnings, holiday payouts, and vacation payouts:

- Extended time to reconcile hours to be paid out;
- Failure by HR to process the separation;
- Disciplinary process;
- Earnings adjustments;
- Errors in processing;
- Transition of HR Generalists;
- Time corrections; and
- Collection of City Property.

Human Resources indicated that the lack of communication that an employee is separating causes delays in processing.

Effect:

Employees received wages in error beyond their employment with the City, which totaled approximately \$2,274.

These errors have been communicated to the respective departments and their timekeepers for potential cost recovery as beneficial and as advised by the City Attorney's Office.

Finding #7 – Overtime

Condition:

During CY2022, 67 City employees in seven departments earned overtime in excess of 1,040 hours. Of these employees, 37 had more than 1,040 overtime hours in CY2021. The breakdown of total overtime hours and dollars for those exceeding 1,040 hours are summarized by the department as follows:

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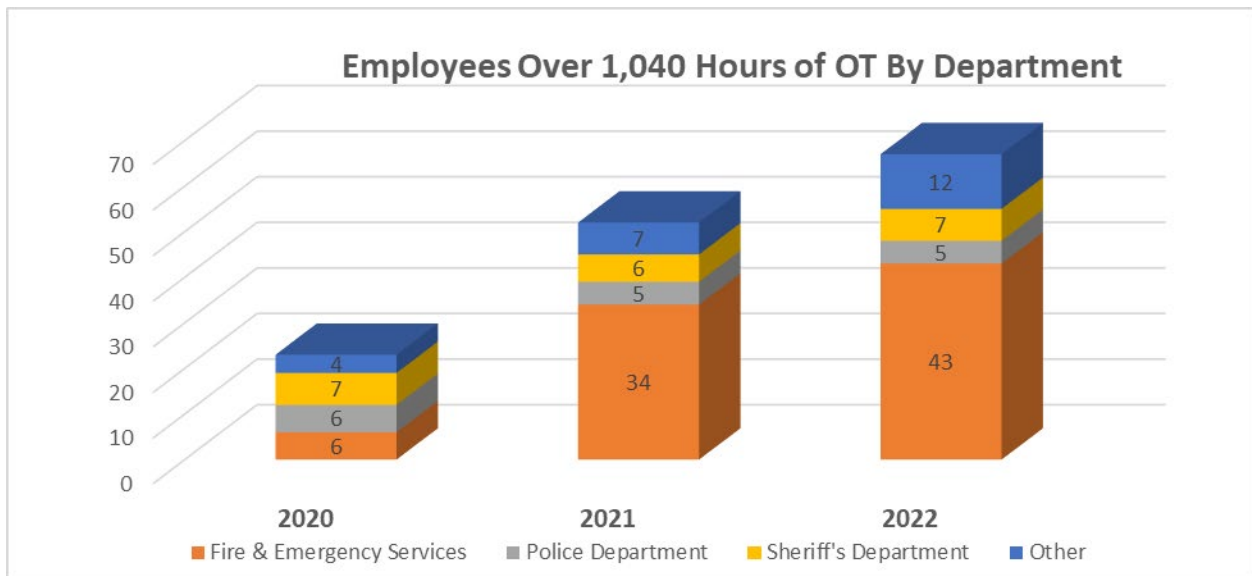
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Department	Number of Employees	Total CY2022 OT Hours for Employees Meeting 1,040 Hours	Total CY2022 OT Dollars for Employees Meeting 1,040 Hours
Department of Emergency Communications	2	3,063.50	102,742.71
Fire & Emergency Services	43	62,239.60	2,543,119.90
Police Department	5	6,177.60	288,238.43
Public Utilities	4	4,735.50	217,451.54
Public Works	5	5,751.25	224,239.32
Sheriff's Department	7	10,089.00	364,052.65
Social Services	1	1,083.75	35,275.75
Grand Total	67	93,140.20	3,775,120.30

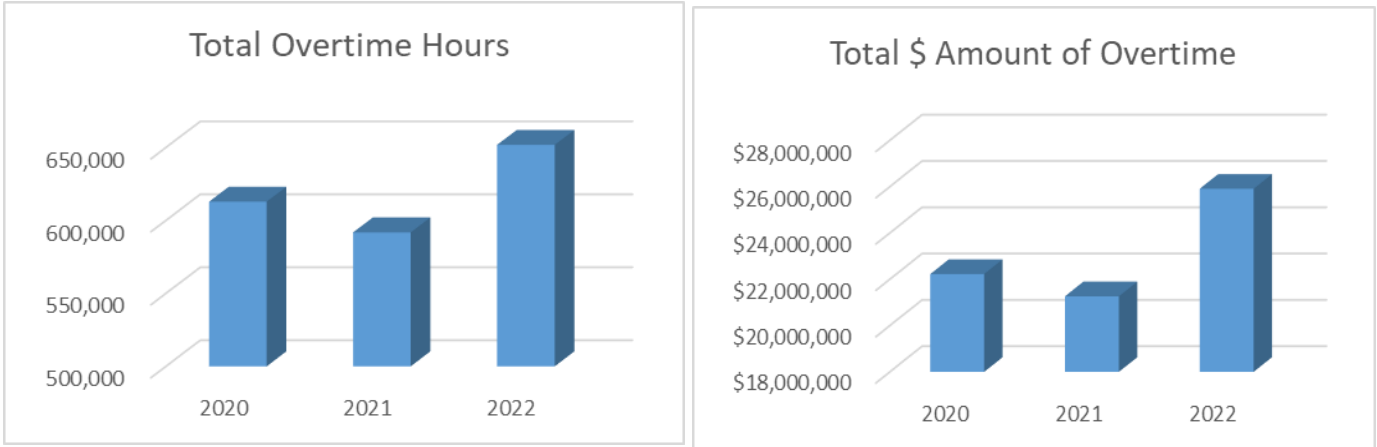
Overtime in Excess of 1,040 hours has increased each year from CY2020 to CY2022 as noted below. Total OT hours and dollar amount decreased in CY2021 but rose again in CY2022.

Title	Number of Employees	Total Hours	Total Dollars
CY2020	23	28,011	\$1,061,353
CY2021	52	68,964	\$2,428,236
CY2022	67	93,140	\$3,775,123
Total Increase	15	24,176	\$1,346,887



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- The auditors requested and reviewed support documentation for the highest overtime period for the top 20 overtime earners in CY2022.

Department	# of Employees
Fire and Emergency Services	16
Sheriff Department	2
Police Department	1
Emergency Communications	1
Total	20

- Based on the review, the auditors noted the below had supporting documentation and were approved:
 - Emergency Communications (DEC) - (1)
 - Police Department - (1)
 - Sheriff's Department - (2)
 - Fire Department – (15)
- Based on the review, the auditors noted the following exceptions:
 - One employee for the Fire Department was paid for 12 hours of OT that did not have supporting documentation.

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City Council's Governmental Operations Standing Committee, as of February 2023, has not been sent monthly overtime reports as requested by City Council resolution.

Criteria:

Employers should monitor and approve overtime hours to ensure high productivity and employee safety.

On September 13, 2021, City Council approved resolution 2021-R046 (noting audit report 2019-07) requesting the Mayor address the finding on high overtime through administrative regulation and the CAO supply Council with monthly overtime reports.

Cause:

The City does not have a policy monitoring the amount of overtime an employee may work. This is an open outstanding recommendation from the 2019-07 Citywide Payroll audit.

A majority of the large overtime earners are in the Fire Department. This was caused due to requirements that four firefighters staff the apparatuses that are in use. In addition, the COVID-19 pandemic, as well as staff shortages, caused increases in the Fire Departments Overtime. Firefighters have a different FLSA cycle that includes 156 hours of planned overtime a year per person.

Effect:

Studies have shown that employees working extended overtime hours over long periods may result in reduced employee productivity and exposes the employees to safety and health risks. Additionally, such high overtime amounts appear to be unreasonable to maintain for an organization.

Without an adequate approval and documentation process in place, employees may be paid for time not worked creating losses for the City.

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Actions Taken:

The list of high overtime earners has been communicated to the administration so that this open follow-up item can be researched and addressed.

Previously Issued Recommendation:

The following recommendation remains open from the 2019-07 Payroll Audit Report:

- *We recommend that the Human Resources Director work with the CAO to implement a policy to limit the number of overtime hours allowed for an employee, adjusted for the applicable FLSA threshold.*

New Recommendations:

- 2) *We recommend the CAO provide monthly overtime reports to City Council's Governmental Operations Standing Committee as noted in Resolution No. 2021-R046.*
- 3) *We recommend the Fire Department's Deputy Director for Support Services perform a review of the 12 hours of unsupported overtime and take the appropriate corrective action.*

APPENDIX A: MANAGEMENT RESPONSE FORM

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#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
1	<p>We recommend the following City departments recover identified duplicate payments from the vendors by either receiving a refund of the overpayment or a credit on future invoices:</p> <ul style="list-style-type: none"> •Fire and Emergency Services •Public Utilities •Public Works •Social Services •Finance •Library 	Y	<p>The Departments will work to recover identified duplicate payments from vendors.</p> <p>Most agencies have made contact with the vendors, have reconciled, and are in the process of recovering payments.</p>
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	COR Administration		30-Sep-23
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
2	<p>We recommend the CAO provide monthly overtime reports to City Council’s Governmental Operations Standing Committee as noted in Resolution No. 2021-R046.</p>	Y	<p>CAO's office will meet with the new GovOps chair to ascertain Council's intent of this request.</p>
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Senior Policy Advisor to the CAO		In Process
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
3	<p>We recommend the Fire Department’s Deputy Director for Support Services perform a review of the 12 hours of unsupported overtime and take the appropriate corrective action.</p>	Y	<p>The record is missing 8 hours of vacation pay (underpaid); and 12 overpaid OT.</p>
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Deputy Director of Support Services		Implemented
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
			<p>A correction was made to correct the employee’s pay in March of 2023.</p>