

Office of the City Auditor (OCA)

City of Richmond Audit Committee HYBRID Meeting

City Hall

2nd Floor Large Conference Room
Tuesday, July 15, 2025

2:00 pm

AGENDA



City of Richmond Audit Committee Meeting Tuesday, July 15, 2026, at 2:00 p.m. City Hall – 2nd Floor Large Conference Room AGENDA

HYBRID meeting:

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

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

- > Join on your computer or mobile app Click here to join the meeting
- ➤ You may also listen to the meeting audio from your phone by dialing *67-804-316-9457, and when prompted, enter conference ID 443 236 080#.

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

- 1. Meeting Call to Order Roll Call
- 2. Welcome New Audit Committee Members, Chief Administrative Officer, Interim Inspector General, and Audit Staff
- 3. Approval of Minutes
 - March 11, 2025
- 4. External Audit Update Sean Walker, CLA
- 5. Audit Office Initiatives and Overall Progress Riad Ali
 - Staffing Update
 - Worked with City Departments to Close 22 Recommendations.
 - Completed the Richmond Retirement System 1099-R Audit
 - Completed the P-Card Program Audit
 - Completed the Fuel Card Program Audit
 - Continued to Provide OIG and Other Investigative Support
- 6. Audit Reports
 - 2025 09 and 2026 02 Quarterly Open Audit Recommendations Follow-up Leigh Ann Castro
 - 2025 10 Richmond Retirement System 1099-R Process Bret Lewis
 - 2026 02 Fleet Fuel Card Program Bret Lewis and Chassidy Comer
 - 2025 11 Procurement Services Purchasing Cards Yolanda McCoy and Eunice Carter
- 7. Inspector General Update Foster Curtiss
- 8. New Business
 - FY 2026 Audit Plan Riad Ali
- 9. Adjourn

MINUTES

AUDIT COMMITTEE MEETING MINUTES March 11, 2025, at 2:00 PM City Hall, 2nd Floor Large Conference Room HYBRID MEETING

In Attendance: (*Virtual)

Audit Committee Members:

Joseph Kearfott, Chair Samuel Bemiss W. Lee Chaney, III **Donald Cowles** The Honorable Cynthia Newbille

Daniel Howell - absent The Honorable Stephanie Lynch - absent

External Auditors:

Sean Walker - CliftonLarsonAllen *Lo, Kristina - CliftonLarsonAllen

Citizen Attendees:

Graham Moomaw *Samuel Parker

City Auditor's Office:

Riad Ali, City Auditor Yolanda McCoy, Deputy City Auditor Bret Lewis, Deputy City Auditor Rob Brooks, IT Audit Manager Leigh Ann Castro, Senior Auditor Rochelle Carter, Management Analyst *Brown, Zachary T. - Auditor *Comer, Chassidy J. - Auditor *Nguyen, Tram Anh – Auditor *Noel, Toni N. - Auditor

Office of the Inspector General:

Craig Johnson, Deputy Inspector General

City Administration/Council & Staff:

Sabrina Joy-Hogg, DCAO Admin & Finance

Sheila White - Finance Jamie Atkinson - Finance Julian White - Finance Bobby Vincent - DPW Scott Morris - DPU Daniel Rifenburgh - DPU Billy Vaughan - DPU

Lynette Lemon - DPU

Rene Almaraz - Procurement Services

Todd G. Charles - DIT Meghan Brown - Budget Lauren Kirk - Budget Elmond Taylor – RFD Jeffrey R. Segal - RFD Jonathan Fetterman - DECPR Dominic Barrett - NCS

Caitlin Weston - City Attorney's Office

*Alexander, Tyrome D. - HR

*Almendarez-Ramos, Karla P. - NCS

*Avula, Danny - Mayor *Banks, Tyel L. - HCD

*Barber, Dawn D. - DJS

*Benton, LeCharn D. - NCS

*Bobby Vincent (Unverified)

*Boisvert, Gabriel L. - City Attorney

*Breil, Peter D. - CSR

*Carter, Krista E. - City Attorney

*Catrow, Ross A. - OSC

*Clarke, Dironna M. - DPW

*Crawford, Jeffrey R. - Finance

*Drewry, Laura K. - City Attorney

*Ebert, Sharon L. - DED

*Fairwell, Josette C. - Finance

*Ford, Tiffany C. - NCS

*Foster, Patricia R. - MBD

*Frelke, Christopher E. - DPR

*Giles, Shunda T. - DSS

*Hayes Jr., Cordell - Mayor's Office

*Hohl, Adam F. - DCAO of Operations

*Houpe, NaTasha - NCS

*Johnson, Gail R. - DPW

*Jones, Brinette L. - DSS

*Kochanski, Sue C. - Procurement Services

*Lemon, Lynnette D. - DPU

*Lyons, Scott A. - Procurement Services

*Malone, Merrick T. - HCD

*McKenney, Susan M. - City Attorney

*Messer, Emily J. - City Attorney

*Nemever. Brady - DSS

*Peanort. Matthew E. - Police

*Perkins, William J. - CNL

*Robins, Amy E. - City Council Office

*Sedano, Caitlin R. - CAO

*Singer, Jessica A. - Finance

*Slaats, Matthew B. - Council Chief of Staff Office

*Thomas, Laura C. - OOS

*Vonck, Kevin J. - PDR

*Wagner, Daniel M. - Council Chief of Staff Office

*Wijesooriya, Lawson - Mayor's Office

*Williamson, Thad - Mayor's Office

*Willoughby, Stephen M. - DECPR

Mr. Kearfott called the meeting to order at 2:00 p.m. Roll call was taken of the Committee members and in-person attendees.

Mr. Kearfott introduced and welcomed the two (2) new Audit Committee members, Councilmembers Dr. Cynthia Newbille and Stephanie Lynch.

Approval of Minutes – **December 10, 2024** - a motion to approve the minutes as written:

Yeas <u>5</u> Nays <u>0</u>

♣ External Audit Update – Mr. Sean Walker, CLA

Mr. Walker gave the following update:

Mr. Walker reported that his team has thoroughly examined the miscellaneous vendor payment processes, which has been a long-term finding. CLA found adequate internal controls and proper departmental approvals before submissions to accounts payable. While some payments involve refunds instead of vendor payments, he noted that no further findings are needed regarding this issue.

Past reconciliation issues will be highlighted in a management letter this year instead of a finding, as these issues have been addressed effectively, despite a one-month delay in reviewing a reconciliation.

The final single audit included a finding related to the city's debt issuance for pension contributions. Although recorded incorrectly, this does not materially affect the overall financial statements.

The team is finalizing the audit for the federal government by the March 31 deadline, having reviewed two programs - the State and Local Fiscal Recovery Funds and the Medicaid Cluster - with no findings identified so far. All testing is complete and looks favorable.

- **♣ Audit Office Initiatives and Overall Progress** Mr. Riad Ali
- ✓ Passed our Peer Review Conducted by the Association of Local Government Auditors (ALGA)

Mr. Ali stated he was very proud of his office and staff for successfully passing their recent peer review conducted in February by the County Auditor for Harford County, Maryland, and the lead senior auditor for the City of Tampa, Florida. A peer review is an important internal control because it ensures the Office of the City Auditor maintain high standards of accuracy and objectivity in our work. He was especially pleased to hear from the Peer Review team that, despite being relatively new, his staff demonstrated a strong understanding of the audit process and standards.

✓ Staffing Update

Mr. Ali advised that the office currently has three vacancies, which represents a little over 20% of the workforce. This has been a significant challenge for the office, as we've been trying to fill these positions for most of the year. We currently have a job posting out and are actively recruiting to fill those vacancies. Our aim is to bring at least one or two new team members on board by April, ideally before the next Audit Committee meeting.

- ✓ Worked with City Departments to Close 13 Recommendations.
- ✓ Completed the Non-Departmental Charitable Organizations Applications and Oversight Process Audit.
- ✓ Continue to Provide OIG and Other Investigative Support

Mr. Ali noted that the office has dedicated a significant amount of time to supporting the Office of the Inspector General (OIG) and providing investigative assistance to other offices. We have developed a strong working relationship with the OIG, which we believe will be beneficial as we work to manage our limited resources across various offices and specialties. This collaboration will lead to improved oversight and accountability within the City.

Audit Reports

 2025-08 Non-Departmental Charitable Organizations Application & Oversight Process – Mr. Bret Lewis

Mr. Lewis presented the report which outlined 3 principal findings and 9 recommendations.

Ms. Joy-Hogg noted that certain funds had been incorrectly labeled as grants. According to state law, grants are actually contributions or donations to charitable organizations. Moving forward, these will no longer be called grants, as that term implies a process the administration cannot support. The number of organizations involved has increased to over 30, but only one or two staff members are managing the process. A legal opinion has confirmed that these funds do not need to be designated as grants, prompting discussions among the City Council, the Mayor's Office, and the Administration. The Administration planning a two-year overhaul of the funding distribution process, with initial discussions already taking place with the Mayor's Budget Office.

While state law doesn't require contracts for these funds, the City will implement them to ensure proper return on investment and performance monitoring. Recent improvements include better monitoring and site visits through the Human Services portfolio. For the first time, a report has been provided to the City Council, indicating progress since the funds were appropriated. In two years, a clearer comparison will be available for the 2025 funds, which will have a different monitoring approach. Overall, significant changes are anticipated for the program by 2027.

Mr. Bemiss inquired whether it would be appropriate for the Committee to request to see the legal opinion and report to the City Council.

Ms. Joy-Hogg mentioned that a report is on her desk, which she plans to submit. Mr. Bemiss noted that while he doesn't need it immediately, it would help frame the discussion on the legal opinion and the City Council's update. Ms. Joy-Hogg explained that Virginia Code Section 15.2-953 permits gifts and donations to certain organizations. When Mr. Bemiss asked if this was the legal opinion, she confirmed it is, but Mr. Kearfott clarified that it wasn't an official City opinion. Ms. Joy-Hogg stated the Administration had mistakenly referred to these funds as grants and will instead call them "partner agencies" in the budget. These funds are provided to nonprofits to deliver services the city cannot or that would be too costly to provide. She noted that the budget for 2024 was approximately \$6 million, which has increased to about \$13 million for 2025, despite no change in the number of organizations funded.

Mr. Barrett added that some of the increase includes larger reserve funds for initiatives like the Positive Youth Development Fund, indicating that the increase isn't solely due to small grants.

Mr. Ali noted that, whether they are called grants or contracts, grants must be monitored, and that the terminology will not change the recommendation issued by the Office of the City Auditor. Monitoring is still necessary for the City to ensure that the money we provided is being used adequately and appropriately. Ms. Joy-Hogg agreed on the need for clarity in this regard and stated that the monitoring needs to be redefined as we go forward now that we're not going to call them grants. She stated that in the other previous locality she's worked in, that locality didn't call them grants and they wrote a contract, and the performance monitoring was not as robust as here, because again, this falls under the State Code section of donations and sponsorships.

Mr. Kearfott mentioned that the Audit Office received responses to the recommendations, but none addressed Ms. Joy-Hogg's points and he questioned if the City's response was still relevant.

Ms. Joy Hogg explained that the City has a fiduciary responsibility to ensure that the grant funding the City provides is effective and meets performance goals. The City is currently redefining this process and generally agrees with most priorities. However, there are areas where we can only partially agree because we don't control everything. Non-departmental grant funding includes priorities from both the Mayor and the City Council, and during the budget process, the Council may add organizations that we can't oversee. If we treat these as grant applications with strict deadlines, some organizations won't receive funding if they miss the deadline. In such cases, essential services might still need to be funded, allowing the Council to reinstate certain organizations without the usual application process. Essentially, this situation reflects the priorities of the Mayor and Council, despite the lack of standard accountability measures.

Further conversation ensued regarding the strategies already included in the current guideline document, and it was noted that these may change before the finalization in September and the budget adoption in May. It was discussed that more experts are now involved in reviewing applications and conducting site visits. The group emphasized the need for better documentation of external coordination and data for funding decisions. Although collaboration with partner organizations is ongoing, the Administration recognized the need for more consistency in using this information. Many improvements have been made and now is a great time to strengthen partnerships and practices.

2025-07 Quarterly Open Audit Recommendations Follow-up – Ms. Leigh Ann Castro

Ms. Castro presented the second quarterly follow-up with 13 recommendations: seven low priority, four medium priority, and two high priority. Additionally, two recommendations were removed.

Ms. Joy-Hogg acknowledged that the Administration always appreciates the Auditor's Office checking the status of recommendations and the Administration recognizes the need for improvements, particularly in IT, which will take time to implement. Ms. Joy-Hogg introduced Scott Morris, the City's new Director of Public Utilities, and noted that he has a plan to address ongoing recommendations in DPU.

Mr. Scott shared that DPU is hiring a staff member to focus on compliance-related issues tied to federal and state requirements, as well as internal audit recommendations. This person will work on regulatory compliance and timely implementation of audit suggestions.

Mr. Ali noted that DPU has made significant progress in implementing audit recommendations. Mr. Scott emphasized the importance of paying attention to audit recommendations that remain open past their deadlines; there were 134 such items at the end of the last fiscal year across the City.

Mr. Cowles asked whether the first item on page six, concerning centralized grant management, is related to our discussion. Ms. Joy-Hogg clarified that this includes not only the charitable organizations we fund but also grant applications to entities like the NIH, emphasizing the need for a centralized approach. The Budget Office is seeking a high-caliber grant manager to streamline this process and ensure proper monitoring of grants across departments.

↓ Investigations – Mr. Craig Johnson, Deputy Inspector General

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

- 20 Open Cases
- 0 Closed Case Substantiated
- 4 Closed Cases Unsubstantiated
- 5 New Cases Added
- 2 Open Referred Cases to Federal Agency

FY 25 Audit Plan Status - Mr. Riad Ali, City Auditor

Mr. Ali presented the following FY 25 audit plan status as of March 11, 2025, and provided an overview of audits completed and those currently in progress.

Key highlights include:

- The Street Light Maintenance Audit Phase 2 is focused on examining the timeliness of repairs and billing accuracy.
- The Warehousing and Inventory Management Audit is nearing completion, with a final report expected soon.
- The Purchasing Card Audit is in the quality control phase and expected to be released within two months.
- The Richmond Retirement System Audit has a draft completed and will be finalized shortly.
- The Fleet Fuel Usage Audit is in reporting and should also wrap up within two months.

Ongoing audits include:

- The Top Guard Security Contract, which has seen delays due to staffing shortages.
- The Cybersecurity Network Vulnerability Assessment, which is in the planning phase.
- External audit assistance to CLA has been completed.

Upcoming audits include:

- Personal Property Tax Billing,
- o Continuous Auditing and Risk Assessment,
- Fire and Emergency Services Payroll, with the latter adjusted per a new administrative request.

- The Affordable Housing Trust Fund Audit,
- A City Council request has also been added to assess compliance with funding code requirements.

Some audits have been deferred to the next fiscal year due to staffing constraints; these include:

- The Miscellaneous Vendor Audit,
- Affordable Housing Trust Fund Expenditures,
- o ARPA Audit, HR Salary Adjustments, and the
- AECOM Contract Audit.

Final determinations for next year's audit plan will be guided by our ongoing risk assessment and discussions with leadership.

♣ New Business

Selection of new Audit Committee Chair

Mr. Kearfott, the Chair, announced that this spring marks nine years and three terms that he and Don Cowles have served on the Audit Committee, and the two of them will soon rotate off.

Mr. Cowles expressed gratitude to the Auditor's Office for their professionalism and noted that it was a pleasure to work with the internal audit staff. He said it was an honor to meet so many dedicated city employees and acknowledged the hard work the auditors do despite facing complaints.

Mr. Kearfott echoed similar sentiments, thanking the City Council for appointing him to the committee and acknowledging the support of Riad, Bret, Yolanda, and the staff. He shared that he has worked with three talented City Auditors, all of whom have contributed positively to the city.

He announced that the City Council has appointed replacements for him and Mr. Cowles: Kristen Nye, a former City Council member, and George "Trey" Sibley, a partner at Hunton Andrews Kurth.

For the final business item, Mr. Chaney nominated Mr. Bemiss as the next chair. With no further nominations, the vote passed, and Mr. Kearfott thanked Mr. Bemiss for accepting the role, symbolically handing over the gavel to adjourn the meeting.

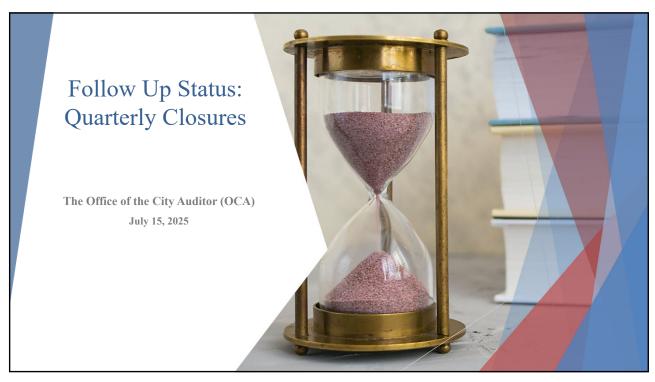
Aye5	Nay0	(Mr. Howell absent)
♣ Adjourn		

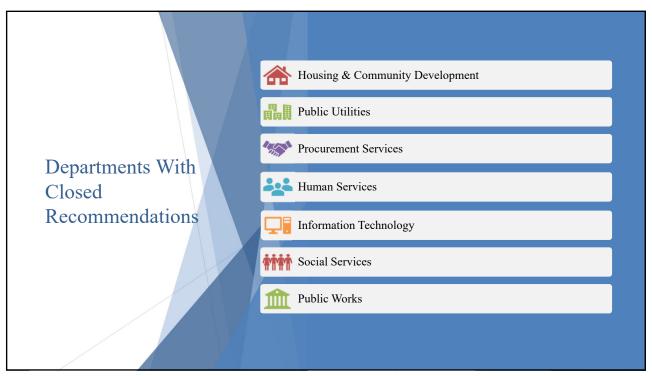
The meeting was adjourned at 3:02 p.m.

Prepared by:

Rochelle Carter City of Richmond - City Auditor's Office *March 11, 2025 Recording*

PRESENTATIONS





22 Recommendations Closed

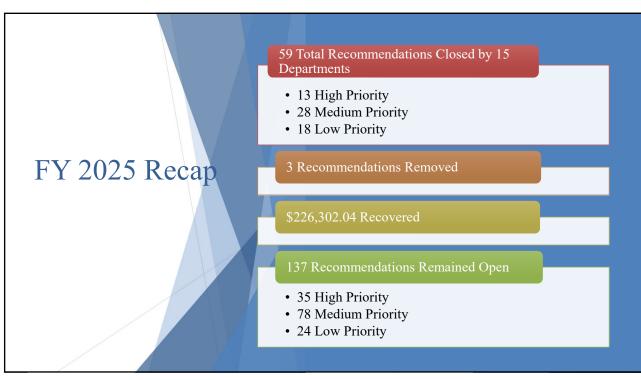
3rd Quarter

- * 12 Recommendations Closed
 - 3 High Priority
 - ❖ 5 Medium Priority
 - 4 Low Priority
- 9 new recommendations Issued
 - 4 High Priority
 - 5 Medium Priority

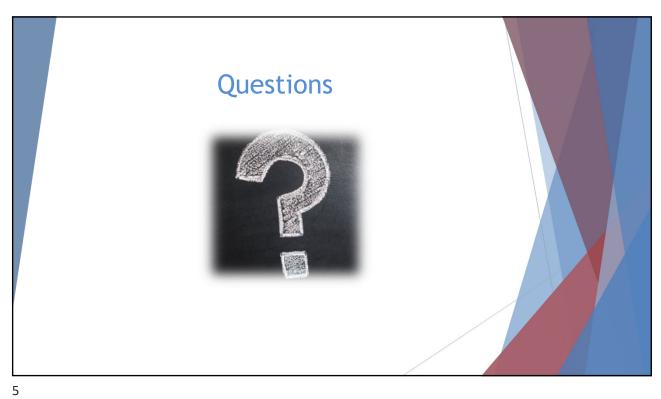
4th Quarter

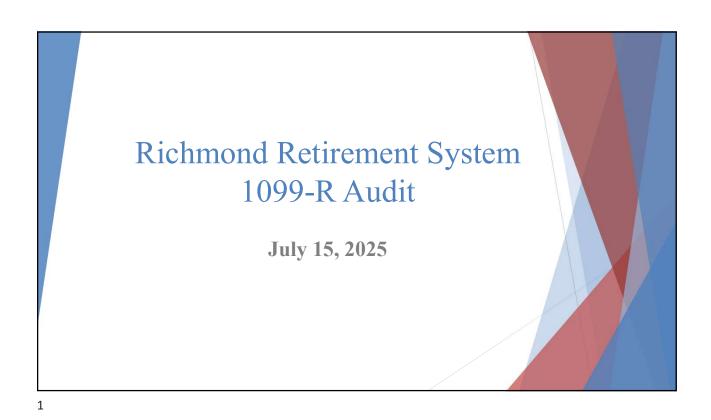
- ❖ 10 Recommendations Closed
 - 4 High Priority
 - ❖ 3 Medium Priority
 - * 3 Low Priority
- ❖ 9 new recommendations Issued
 - ❖ 8 High Priority
 - **❖** 1 Medium Priority

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Background

- ▶ Objective and Scope
- ▶ 1099-R Reporting
- ▶ Identifying deceased retirees & collecting payments made after death

Overall Conclusion

- ▶ During calendar year 2023, the RRS updated its process for uploading supplemental payments to ensure they were input as taxable, correcting the issue from the prior year.
- ▶ RRS's processes for calculating retiree benefits, including original benefit selections, subsequent adjustments, and supplemental bonuses, were found to be accurate for the retirees reviewed by the OCA. The 1099-R forms reviewed reflected payments made during the year and were consistent with the original benefit selections.
- Conversely, the OCA found that the RRS failed to prevent, detect, and recover improper payments to deceased retirees. The OCA identified deficiencies in the management of deceased retirees.

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The Richmond Retirement System made \$554,661.50 in benefit payments to 44 deceased members, with \$415,660.76 not recovered.

- ► The Richmond Retirement System did not identify deceased retirees in a timely manner.
- ▶ The Richmond Retirement System did not adequately manage overpayments, resulting in uncollected outstanding amounts totaling \$415,660.76.
- ► The Richmond Retirement System did not timely inform the Board of Trustees about overpayments to deceased retirees.
- ▶ The Richmond Retirement System's overpayment collections policy contained incorrect information and was not specific enough to guide those responsible for completing the collection process.

Reported Corrective Actions

- ▶ Investing in New Systems.
- ▶ Updating the SOP.
- ▶ Improving oversight processes.
- ▶ Improving the collections process.
- ▶ Notifying the Board of Trustees about the overpayment issues.

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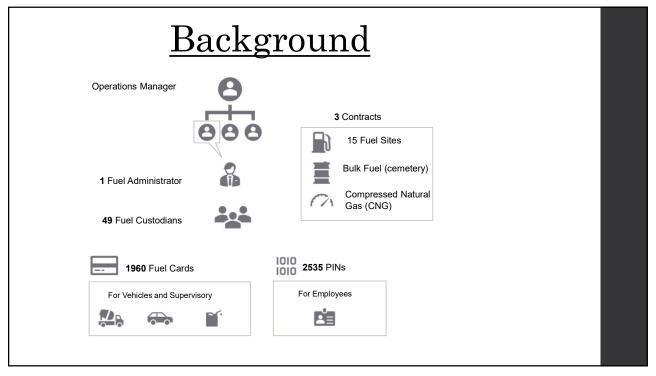
In Conclusion

- ▶ Issued 9 recommendations
 - ▶ 8 High Priority
- ▶ 100% Concurrence
- ▶ Recommendations include:
 - ▶ Establish and implement a formal process to improve the identification and verification of deceased retirees.
 - ▶ Review payments to deceased retirees and work to collect.
 - ➤ Collaborate with the Board of Trustees to clarify oversight responsibilities and timeframes.
 - ▶ Update the collections policy.



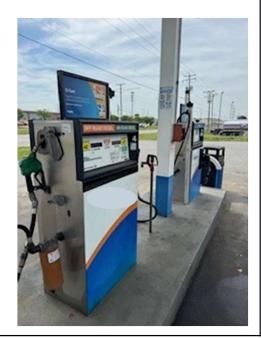
July 15, 2025

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Overall Conclusion

- The Fleet Department has established foundational elements of a Fuel Program, including a vendor contract, policy documents, a Fuel Administrator, and designated Fuel Custodians.
- The City's Fuel Program lacks the controls necessary to ensure accountable and efficient use of taxpayer dollars. Internal controls over fuel card usage, monitoring, and oversight were inconsistently applied.
- The absence of defined review procedures and use of exception reports limited the City's ability to identify unauthorized transactions.
- The City did not perform effective oversight of its fuel vendor contracts.
- The OCA identified at least \$44,000 of questionable transactions and referred multiple individuals to the OIG.



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Internal controls over the fuel program were ineffective, leading to inconsistent oversight and at least \$44,000 in questionable transactions.

- The Fleet Division and City departments inadequately monitored fuel usage and did not detect irregular transactions.
 - Centralized Management (Fleet)
 - The Fuel Administrator was responsible for requesting, managing, and receiving fuel cards.
 - Fleet did not provide training to the fuel custodians.
 - · Decentralized Management (Departments)
 - · Did not have formal procedures for reviewing fuel transactions.
 - · Reviewing their own transactions.
- The City lacks a structured approach to monitoring fuel card transactions, allowing irregularities and policy violations to go undetected.
 - Fuel purchases made outside of normal work hours..
 - * Odometer readings were not monitored by Fleet or the departments.
 - · Departments were not reviewing tank capacities.
 - · Retail fuel access was not managed.
 - · Fuel card inventory was not reviewed for inactivity.
- The City did not effectively manage fuel PINs, resulting in widespread control breakdowns including PIN-sharing, employees with multiple PINs, unused PINs and former employees with active PINs.
 - The OCA identified at least nine PINs that were used after the associated employee separated, totaling approximately \$10,000.

Finding 2:

Fleet's fuel card policies and procedures were inadequate leading to ineffective guidance for departments.

- · Differences identified in the following areas:
 - · Supervisor fuel card
 - · Odometer readings
 - · Rental fuel cards

Finding 3:

The City did not adequately manage the fuel contracts, including properly reviewing invoices and ensuring only contracted fuel types were purchased.

- Invoices were not reconciled against transaction reports.
- · Non-contracted fuel types were purchased.
- Fuel prices were not verified against contract terms.

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Reported Management Actions

Fleet Management provided the OCA with:

- Fuel exception reports to support ongoing monitoring,
- Documentation of fuel card and PIN inventories in process,
- An updated fuel card and PIN user agreement,
- Reconciliation logs for supervisor cards and fuel trucks, and
- Records of a more detailed fuel transaction review conducted by the Fleet Department.



In Conclusion



Issued 9 Recommendations

5 High Priority



100% Concurrence



Recommendations Include:

Update, enhance, and implement a formal fuel policy that defines review criteria, documentation standards, escalation procedures, and responsibilities across departments.

Evaluate whether the City's current tools provide sufficient functionality to support effective fuel oversight.

Ensure that Fleet adopts a data-driven oversight process for centralized fuel management.

Develop a formal fuel training program for Fleet employees, PIN holders, and fuel custodians.



Purchasing Card (P-Card) Audit

Office of the City Auditor (OCA)

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Background & Purpose of the P-Card Program

Background

- Implemented November 2018.
- Managed by Department of Procurement Services (DPS).
- Implemented to make small purchases convenient for COR's departments.
- Streamline the procure-to-pay cycle and improve efficiency by simplifying approval workflow, reducing paperwork, enabling quick purchases, and facilitating faster payments to vendors.
- Not a substitute for proper procurement procedures; it's a payment tool within the Procurement Process.



P-Card Program's Growth

Fiscal Year	No. Transactions	Amount Paid
2020	8,459	\$3,156,647
2021	10,826	\$5,090,029
2022	16,328	\$8,224,521
2023	22,034	\$10,679,048
2024	23,352	\$11,264,553

Source: Prepared by the OCA using BOA data

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Understanding the P-Card Purchase, Approval, and Payment Process



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Audit Overall Summarized Conclusion

The City's P-Card program and usage lacked effective internal controls to ensure proper use of public funds. Significant weaknesses in the City's internal control framework for the use of P-Cards, including small purchases were identified.

Significant questionable expenditures were identified.

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DPS Immediate Corrective Actions

- ✓ Reduced the number of active P-Cards to 67 (over 70% reduction), effective May 9, 2025.
- ✓ Limited P-Card use to only mission-critical functions where no alternative payment option exists, after gaining Agency Director approval.
- ✓ Eliminated P-Cards for Department Directors.
- ✓ Prohibited travel-related, Amazon, and food purchases unless tied to public health or youth programs.
- ✓ Requiring frequently paid vendors to register and follow the requisition process.
- Contracted with the National Institute of Government Purchasing to develop P-Card best practices.
- ✓ Implemented a third-party AI auditing tool.
- ✓ Launched an Amazon punchout system in CORERP for immediate Citywide use.



DPS Immediate Corrective Actions (Cont.)

During this period, DPS advised that they will focus on:

- ✓ Revising P-Card policies and procedures and developing updated training.
- ✓ Exploring opportunities to generate program-related revenue.
- ✓ Evaluating alternate P-Card providers.
- ✓ Coordinating with other departments to align broader City policies with program relaunch objectives.
- ✓ Seek to prohibit the use of third-party pay applications such as Venmo and PayPal with P-Cards.

City launched a new web-based progress tracker (P-card Progress | Richmond)

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Observations





Questionable Expenditures

- Questionable expenditures are defined as any transaction that lacks sufficient documentation, appears unrelated to a legitimate government purpose, or does not comply with contracts, policies, laws, regulations, or ethical standards.
- At least \$5 million questionable expenses, including P-Card and AP transactions, were referred to the City's Office of the Inspector General for further review.
- Approximately \$232,009 were not reported to the OIG
 - Approximately \$196,742 transactions lacked sufficient documentation or clear policy guidance to determine allowability.
 - At least \$26,000 in overpayments on contracts were identified.
 - Approximately \$9,267 in unallowable expenditures.

9



Policy and Procurement Risks

- The City's Single Quote Limit of \$50K
 - Five to ten times higher than other peer localities and the Commonwealth of Virginia. Their threshold generally ranged between \$5,000 and \$10,000.
 - City's single quote threshold should align with the internal control framework.
- Third Party Payment Platforms
 - Vendors paid through these platforms were not required to be registered.
 - Lack of documentation and contact information made it difficult to determine who and what was being paid.
 - · Significant amount of identified questionable expenditures were paid through one of these platforms.
- Existing policies lacked clarity and were inconsistently enforced.
- •City lack spending policy for non-essential purchases (Discretionary Spending).



Inadequate Oversight and Transaction Review

- •Some approvers signed off on transactions without adequate documentation or knowledge of business needs.
- •Some approvers were responsible for reviewing transactions submitted by their supervisors or staff in other departments, reducing effective oversight.
- •Some approvers may be assigned too many cardholders, which limited their ability to thoroughly review transactions.
- •P-Card transactions were not reviewed in a timely manner, increasing the risk that improper or unauthorized purchases would go undetected.

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P-Card Issuance, Configuration & Deactivation Issues

- •One DPS employee was responsible for card issuance, configuration, and transaction approval, creating a risk due to a lack of segregation of duties.
- Adequate processes were not in place to ensure proper eligibility prior to P-Card issuance.
- •P-Cards were not deactivated timely after employees separated or transfer, with some cards used months later.
- Some cards had minimal or no activity and credit limits that exceeded operational need.
- •System configurations allowed auto-approvals, unrestricted merchant codes, and high spending limits applied uniformly across users.



Recommendations

- •16 recommendations issued and concurred
- These are related to:
 - Policies and Procedures
 - Segregation of Duties
 - Approvers Oversight
 - •Reconfiguration of System Controls
 - Training

13

13



Questions & Comments



OFFICE OF THE INSPECTOR GENERAL

REPORT



CASE STATUS

- **OPEN CASES** 23
- **CLOSED CASE SUBSTANTIATED** 4
- 8 **CLOSED CASE UNSUBSTANTIATED**
- 6 PENDING CASES
- OPEN REFERRED OUTSIDE OIG JURISDICTION 2

Office of the Inspector General

Presented to the Audit Committee July 15, 2025

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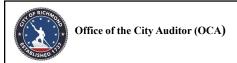


Office of the Inspector General Presented to the Audit Committee

July 15, 2025

NEW BUSINESS

- Electronic Communications Policy Draft
- Introduction of new Finance Department Staff



FY 2026 Audit Plan

July 15, 2025

Office of the City Auditor (OCA)

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"Promoting open and accountable City government through independent audit services."

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Office of the City Auditor (OCA)

Audit Plan

Audits in Progress

Project	Preliminary Objectives	Projected Hours
Street Light Maintenance Phase II	Evaluate the expenditures, efficiency, effectiveness, and maintenance of streetlights.	300
Warehousing & Inventory Management Phase III	Evaluate the warehouse inventory management controls and efficiency regarding duplication/ordering for the main warehouses operated by the City.	300
Security of City Facilities	To assess whether the City has practices in place to ensure the security of City facilities, employees, and the public, and to determine whether contracted security services are in compliance with the City's contract.	1000
Non-Audit Service: Real Estate Tax Rebate Process	Assess the rebate calculation in accordance with Ordinance 2024-276 and determine the cause(s) for the rebate issues identified in the rebate process and offer recommendations.	500
Non-Audit Service: Affordable Housing Trust Fund	Determine the City's compliance with the code section 12-46 regarding funding the Affordable Housing Trust Fund.	500



Office of the City Auditor (OCA)

Audit Plan

Audits to be Initiated

Project	Preliminary Objectives	Projected Hours
Personal Property Tax Assessment and Collections – Follow up	Evaluate the process and controls in place for assessing, billing, and collecting personal property taxes.	1000
Fire and Emergency Services - Payroll	Evaluate the controls in place over the payroll process and the accuracy of payroll payments and leave accruals.	1000
Continuous Monitoring and Risk Assessment - Multi- Phase	Data-driven analysis of City expenditures and payroll to identify non-compliance and irregularities, and to inform audit planning and targeted oversight	1000
Affordable Housing Trust Fund Expenditures	Evaluate the program expenditures and supporting documentation for compliance with program objectives and overall program efficiency and effectiveness.	600
Finance Department Refund Notification Compliance	To determine whether the Department of Finance is in compliance with City Code § 26-298, which requires notification of taxpayers within 90 days of identifying overpayments of taxes.	600
Accounts Payable	Evaluate whether the Accounts Payable process ensures timely and accurate payments, enforces proper internal controls, and complies with applicable policies and best practices.	1000
Facilities Maintenance	To assess the adequacy and execution of processes to prioritize, repair, and maintain City facilities.	1000

3



Office of the City Auditor (OCA)

Audit Plan

Special Projects

Project	Preliminary Objectives	Projected Hours
Cybersecurity & Network Vulnerability Assessment	Hire a consultant to assess and test the City's Cybersecurity practices and network vulnerability	100
Quarterly Follow up – Recommendations	Quarterly follow up with City departments to assess the number of audit recommendations that are implemented.	600
External Audit Assistance	Provide external audit assistance.	300
Service Efforts & Accomplishments (SEA)	Conduct a community survey and benchmark the results against peer localities.	200
Other Special Projects and OCA Policy Updates	Audits and other reviews completed at the request of City Council, City Administration or at the discretion of the City Auditor, as well as policy updates to comply with auditing standards.	600



Office of the City Auditor (OCA)

Audit Plan

Supplemental Projects - Initiated if Staffing is Available

Project	Preliminary Objectives	Projected Hours
Contract Audit - AECOM Technical Services	Evaluate compliance with the contract terms and determine if the contract was awarded in compliance with city policies and best practices.	1500
American Rescue Plan Act (ARPA) Expenditures	Determine whether the City has centralized and adequate documentation to support ARPA-funded expenditures and whether a sample of expenditures complies with federal eligibility requirements.	500
Human Resources Salary	Review current practices and controls in place related to requests for salary adjustments for City staff and constitutional offices.	600