CITY OF RICHMOND

Office of the City Auditor (OCA)

An Independent Office of the Richmond City Council

Annual Report
Fiscal Year 2026

Riad Ali, CPA, CIGA
City Auditor

OFFICE OVERVIEW AND MISSION

The Office of the City Auditor (OCA) was established under the City of Richmond Charter. The City Auditor, appointed by City Council, leads the office and has the authority to appoint staff and carry out audit responsibilities. The Charter provides the Auditor with broad access to City records, accounts, and systems necessary to perform audits, subject to applicable law.

To promote transparency and strengthen oversight, an Audit Committee was established to assist City Council in monitoring the City's audit function. The Committee meets periodically to review audit reports, discuss internal control concerns, and provide input on audit planning and priorities.

The OCA's mission is to promote open and accountable government through independent audit services. Its vision is to be a trusted partner in advancing transparency, accountability, and efficiency in local government by delivering impactful audits that improve operations and build public trust.

In line with this mission, the OCA conducts independent, objective audits of City departments, offices, and agencies in accordance with Generally Accepted Government Auditing Standards (GAGAS). The office makes recommendations to address risks, strengthen internal controls, and improve operations. When implemented, these recommendations result in significant improvements and cost savings across City functions.

Contact us:

🌐 Read our past reports on our website

📽 View a prior audit committee recording

📩 Email us: askcityauditor@rva.gov

☎ Call us: 804-646-5616

📍 Visit us: 900 E Broad St, Suite 806, Richmond, VA 23219

FY 2026 AT A GLANCE

11 REPORTS ISSUED	**28** RECOMMENDATIONS ISSUED	**100%** RECOMMENDATIONS ACCEPTED	**65** RECOMMENDATIONS IMPLEMENTED BY THE CITY
$2.8M FINANCIAL EXCEPTIONS IDENTIFIED	**$14K** REPORTED RECOVERIES	**14** BUDGETED POSITIONS	**Knighton Award Received** P-Card Audit

Highlights

- The OCA became fully staffed during FY 2026 for the first time in many years and heavily focused on training and development.
- The City completed a ground-up review of the Purchasing Card program, closed a majority of the OCA's recommendations, and began a soft relaunch of the program.
- The City closed 26 high-priority recommendations, including all recommendations related to its Richmond Retirement System audit.
- The OCA identified $2,472,307 in a special reserve that is available for appropriation.
- The City created a standalone Affordable Housing Trust Fund (AHTF) in its accounting structure to improve segregation, tracking, and reporting of AHTF activity.
- The OCA received the Association of Local Government Auditors national Exemplary Knighton award for the Purchasing card audit.
- The OCA launched a continuous monitoring initiative and continued developing its system of quality management.

ACCOMPLISHMENTS

Reports

The OCA issues various types of reports to keep City Council, the Audit Committee, the Mayor, and the public informed of our work.

- **Audit reports** – These are the OCA's most comprehensive reports and typically require extensive planning, testing, analysis, evidence review, and quality assurance. They evaluate City operations to identify control weaknesses, improve efficiency, and identify and reduce fraud, waste, and abuse. Audit reports include detailed findings supported by evidence and targeted recommendations for improvement.

- **Special Project Reports** – These are limited-scope reviews or advisory engagements, often initiated at the request of leadership, focused on specific issues or operational questions.

- **Continuous Monitoring Reports** – Continuous Monitoring are periodic, targeted reviews of selected City data. These reviews are used to identify unusual transactions, potential non-compliance, data abnormalities, and other indicators of financial, operational, compliance, or fraud-related risk. They are narrower than full performance audits and help the OCA communicate concerns sooner, support timely corrective action, and determine whether additional audit work may be needed.

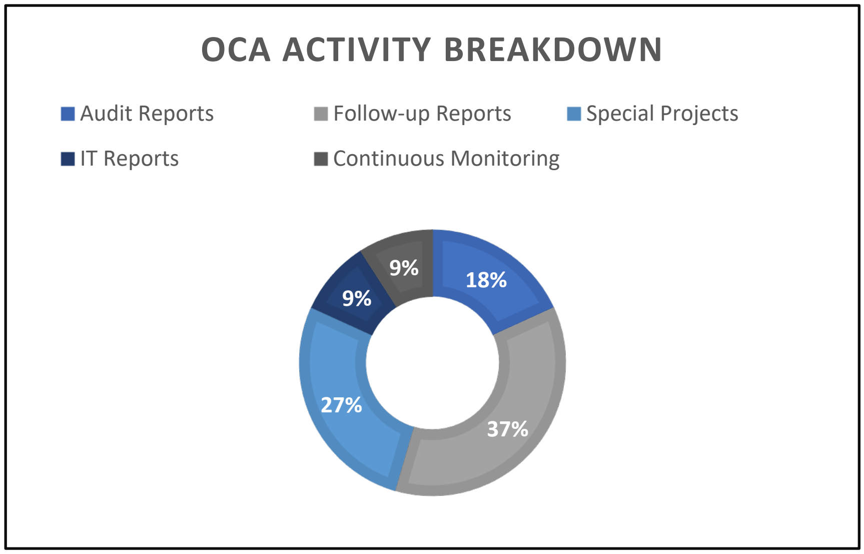
- **Periodic Follow-Up Reports** – These track the City's progress in implementing prior audit recommendations. They help ensure that corrective actions are taken and sustained over time.

- **Confidential IT Reports** – These reports assess the security and effectiveness of the City's IT systems. Due to their sensitive nature, they are not publicly released but are shared with appropriate officials to support risk mitigation.

We issued a total of 11 reports in FY 2026, as shown below.

11 reports issued in FY 2026

2 audit reports
3 special project reports
1 continuous monitoring report
4 recommendation follow-up reports
1 confidential IT Report



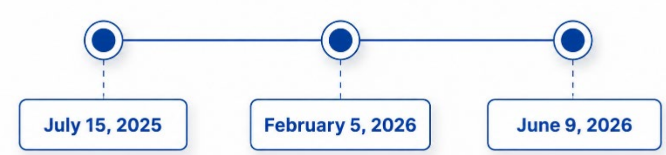
Recommendations

The OCA goes beyond identifying issues. We develop practical, forward-looking recommendations that help City leadership strengthen operations, improve accountability, and safeguard public resources. Our recommendations are designed to enhance efficiency and effectiveness, improve compliance and internal controls, reduce financial and operational risk, increase transparency, and help the City safeguard and recover taxpayer dollars.

In FY 2026, **28 recommendations were issued** and City Administration agreed to implement them all. Recommendations are made to address the root causes of the issues identified in our audits. Each recommendation is assigned a priority level based on the significance of the underlying issue and the associated risk, categorized as follows:

Priority Level	Focus	Definition	FY 2026 Recs Issued
High	Significant Risk	Addresses critical issues that pose significant risk to the City, including internal control weaknesses, non-compliance, financial loss, fraud, or costly operational inefficiencies.	19
Medium	Emerging or Moderate Risk	Addresses issues that could escalate if not corrected, including matters that may lead to financial loss, operational inefficiencies, or weakened internal controls over time.	6
Low	Operational Improvement	Improves overall efficiency, accuracy, or performance in City operations.	3
Total			**28**

Audit Committee Meetings



Per City Code, an Audit Committee was established to assist City Council in its responsibilities for the financial management of the City. The Audit Committee consists of seven members appointed by City Council. Two of the seven members are members of City Council, and five members are appointed from the business community of the City.

With regards to the OCA, the Audit Committee's responsibilities include but are not limited to overseeing audit functions and reviewing and approving the annual work plan of the OCA. In FY 2026, the Audit Committee held three meetings to perform their code assigned duties.

Impact and Audit Results

In Fiscal Year 2026, the OCA's efforts have identified financial exceptions totaling approximately $2.82 million, including unused funds available for reallocation, over and underpayments to taxpayers, and duplicated payments. Since FY 2025, this amount has totaled approximately $13.6 million.

Importantly, the OCA's work has led to measurable improvements in City operations. In FY 2026, City departments implemented 65 recommendations and reported recovering approximately $14,095 in funds from audits. Since FY 2025, City departments have reported recovering approximately $242,095 from audits.

The following section summarizes reports and other projects issued or completed by the OCA in FY 2026. Special requests, non-audit services, continuous monitoring reports, and other projects are narrower in scope than performance audits and were not conducted in accordance with Generally Accepted Government Auditing Standards. Click on the report title to view the full report, where applicable.

Audit of the Fleet Fuel Program
9 Recommendations Issued

The City's Fuel Program plays a critical role in supporting essential government services, enabling departments to keep vehicles operational and services uninterrupted. The Fleet Department has established foundational elements of a Fuel Program, including a vendor contract, policy documents, a Fuel Administrator, and designated Fuel Custodians. Its structure allows departments to access fuel efficiently across multiple locations, supporting both routine operations and emergency response.

However, the City's Fuel Program lacked the controls necessary to ensure accountable and efficient use of taxpayer dollars. Internal controls over fuel card usage, monitoring, and oversight were inconsistently applied. Although policies and procedures exist, they lacked specificity and were not uniformly enforced across departments.

While Fleet is responsible for program administration, it relies heavily on departmental Fuel Custodians who have not received sufficient training, tools, or guidance to detect irregularities. The absence of defined review procedures and use of exception reports limited the City's ability to identify unauthorized transactions.

Additionally, inadequate PIN management, insufficient tracking of card and PIN activity, and inconsistent controls over supervisor and rental cards further reduced oversight. In fact, in a risk-based sample of transactions reviewed, the OCA's audit identified at least $44,000 in questionable transactions and referred multiple individuals to the Office of the Inspector General for further review.

Additionally, the City did not perform effective oversight of its fuel vendor contracts. Invoices were paid without adequate reconciliation, fuel types outside the contract were purchased at retail rates, and pricing was not consistently verified.

Many of the issues observed, such as insufficient monitoring, lack of training, and policy noncompliance, mirror deficiencies noted in the OCA's audit of the City's Purchasing Card (PCard) program. Without prompt corrective action and a strategic reevaluation of the Fuel Program's oversight process, the City remains at a heightened risk for fraud, waste, and abuse.

Audit of Citywide Warehousing Inventory Management – Final Phase
7 Recommendations Issued

City Administration and departments have demonstrated a commitment to accountability and a stronger internal control environment. This was evidenced by Administration's request for the OCA to perform audits of all main warehouse operations and improvements made in inventory management by departments throughout the audit. For example, throughout the audit, several departments formalized processes, enhanced monitoring, and tightened physical access controls. The OCA notes that several building blocks were in place for warehouse management, such as barcode scanners, work order integration, and the capability to use reorder point for inventory.

However, the OCA found that stronger internal controls and coordinated oversight over inventory management are needed. Inventory is managed independently across locations, resulting in differing practices, incomplete or inaccurate records, and limited visibility into activity across the City. The absence of standardized policies and procedures, coupled with varied systems and inconsistent use of available tools, contributed to data reliability concerns, duplicate ordering, stock imbalances, and a higher risk of fraud, waste, and abuse.

Establishing a citywide governance framework with clear policies and minimum standards, consistent documentation and counts, and integrated reporting would enhance accuracy, transparency, and accountability. These improvements would better safeguard resources, support effective decision making, and help the City realize opportunities for cost savings and operational efficiency.

Non-Audit Service: Real Estate Tax Rebates

3 Recommendations Issued

The City Auditor's Office reviewed the Real Estate Tax Rebate process and calculations authorized by Ordinance 2024-276. In March 2025, the City issued rebate checks for taxpayers. After this first batch of checks were issued, errors were identified with some of the checks and the process was stopped before all checks were mailed. The Finance Department completed a new calculation and issued a second batch of checks. The OCA review was requested by the City Administration and is based on data provided by the Department of Finance and the City's Real Estate Assessor's Office.

As requested by City Administration, we performed the following tasks:

- Assessed the rebate calculation in accordance with Ordinance 2024-276.
- Determined the cause(s) for the rebate issues identified in the rebate process performed by the City and offered recommendations.

In summary, the OCA found that a majority of taxpayers received an accurate rebate payment after the second batch of checks.

However, the OCA identified a small number of potential issues, totaling at least $115,072.99 in potential overpayments and $80,910.12 in potential underpayments. These discrepancies resulted from the absence of a formal implementation plan, calculation errors, or calculation methods warranting further review used in the second batch of checks, and incorrect payments issued during the first batch.

Additional overpayments and underpayments likely exist and cannot be quantified until further research is performed by Finance, primarily involving properties sold or transferred before January 1, 2024. In addition, the noted transfers may correct some of the issues noted in the report but cannot be quantified until the Finance Department reviews the transfers and sales.

The OCA notes that the rebate program likely incurred substantial cost and administrative burden because of errors in the first batch of checks and subsequent reissuances. When implementing a plan to address the issues in this report, the City should weigh the cost and time of addressing minor issues against the broader benefit to taxpayers of using resources in a fiscally responsible manner. In fact, more than 20% of the potential over and under payments in this report total less than $5 individually, with 49 parcels over or under billed less than a $1.

Special Request: Affordable Housing Trust Fund

7 Recommendations Issued

At City Council's request, the Office of the City Auditor (OCA) reviewed the City's compliance with City of Richmond Code Section 12-46 regarding the establishment of potential funding sources for the Affordable Housing Trust Fund (AHTF). This review used information from the Real Estate Assessor's Office, Housing and Community Development, City Attorney's Office, and the Finance Department. We also used information from the City's fiscal plans and financial system.

The OCA was asked to perform the following tasks:

- Discover the amount of money that should have been collected for the AHTF Board on an annual basis.
- Determine if the Finance Department has collected these monies on behalf of AHTF Board and placed them in the special reserve funds.
- If not placed in the reserve funds, inquire why money was not set aside for the AHTF Board as required by city ordinance.

Overall, the OCA concluded that the City did not consistently implement the funding requirements in City Code Section 12-46 intended to support the AHTF. Section 12-46 establishes a requirement for the Director of Finance to credit specified revenues to a special reserve assigned to support the AHTF, and City Council may appropriate amounts from that reserve to the AHTF. Inconsistent implementation was driven, in part, by the absence of a documented implementation plan and related procedures to adhere to the requirements.

With respect to City Code Section 12-46(a), the OCA determined that a single definitive annual credit amount cannot be established until the calculation methodology is clarified. The ordinance request documentation described a cumulative approach based on incremental tax payments as partial real estate tax exemptions roll off, while the adopted code language requires crediting the difference between the full taxation amount and the partial exemption amount. These approaches would produce materially different results. Due to various issues, the OCA could not conclude on the amounts that could have been credited to the special reserve under either approach. In addition, the OCA identified one fiscal year in which $2,472,307 was credited to the special reserve, however, as of December 2025, this amount remained in the reserve and had not been appropriated to the AHTF.

With respect to City Code Section 12-46(b), the OCA found that the code does not clearly specify the frequency or application of the "up to $1,000,000" crediting requirement related to net proceeds from tax delinquent property sales. As a result, the OCA could not determine a definitive total amount that should have been credited to the special reserve since July 1, 2019. After the start of this review, the City passed an ordinance approving the transfer of $2,000,000 to the AHTF from Delinquent Tax Sales funds. However, as of December 19, 2025, the transfer was not identified in the City's accounting records. The OCA also identified appropriations from the Delinquent Tax Sales funds for purposes other than the AHTF and noted that the fund is at risk of a negative balance based on authorized transfers and available resources.

Finally, the OCA notes that the City funded AHTF initiatives through other sources during the period reviewed, including general purpose revenues, American Rescue Plan Act (ARPA) and general obligation bond funding. In addition, the City funds affordable housing initiatives and projects not managed by the AHTF, such as the redevelopment of Creighton Court and the Homes Project. However, City Code Section 12-46 separately required that revenues from the specified requirements be credited to the special reserve for potential appropriation to the AHTF, which were not consistently done.

The OCA notes that as of January 2026, the City is in the process of replacing the City Code 12-46 and clarifying a new calculation method to fund the AHTF.

Continuous Monitoring – Duplicate Payments

2 Recommendations Issued

As part of this review, the OCA analyzed selected FY 2024 and FY 2025 City payment transactions using targeted criteria designed to identify duplicate payments. Overall, the OCA identified 50 duplicate payments totaling $5,759,563.64. Approximately 98% of that amount has already been recovered, largely before this review began. The largest duplicate payment identified was a single wire transfer in the amount of $5,092,722.08 that was processed twice.

Of those 50 duplicate payments, the OCA identified 27 duplicate payments through this review totaling $151,730.22 that had not previously been identified or corrected. Departments have since reported recovering $10,142.11 of that amount, leaving $141,588.11 outstanding and potentially recoverable by the City.

The duplicate payments identified through this review indicate potential weaknesses in internal controls over invoice processing and payment activities. The OCA issued two recommendations and will follow up on them through its periodic follow-up process.

In addition, the OCA has recently begun a performance audit of the City's accounts payable process and may issue additional recommendations related to duplicate payments through that audit.

Confidential Cybersecurity Report

In FY 2026, the OCA issued a confidential cybersecurity report related to the City's information technology environment. Because the report contains information exempt from disclosure under the Virginia Freedom of Information Act, the report is not publicly available and detailed findings are not summarized in this Annual Report.

Service Efforts and Accomplishments (SEA) – Community Survey 2026

The Office of the City Auditor (OCA), working with the Department of Citizen Service and Response, oversaw the completion of Richmond, Virginia's 2026 National Community Survey. The National Community Survey was developed by the National Research Center at Polco in partnership with the International City/County Management Association. The survey is used by local governments across the country and allows Richmond's results to be compared with resident survey results from other communities.

The City's prior National Community Survey was conducted in late 2021, with the results issued in 2022. The 2026 report includes trend comparisons for many questions where comparable prior survey data is available. The report also includes 12 custom questions without benchmarks that were added to assist City leadership with planning and decision-making. The results reflect the opinions of a representative sample of Richmond residents collected from February 23, 2026, through April 6, 2026. The reported margin of error is 6 percent, and results were weighted to reflect the demographic profile of Richmond's adult population.

The survey serves as a strategic management and policy tool to help City leaders better understand resident perspectives, identify areas of strength, and consider opportunities for improvement.

Periodic Follow-up on Open Recommendations

In FY 2026, the OCA issued four periodic reports as part of its ongoing follow-up process on open recommendations. By working collaboratively with departments throughout the year, the OCA confirmed the closure of 65 recommendations by 10 different departments and removed five recommendations that were no longer applicable. Of the recommendations closed, 26 were high priority, 28 were medium priority, and 11 were low priority.

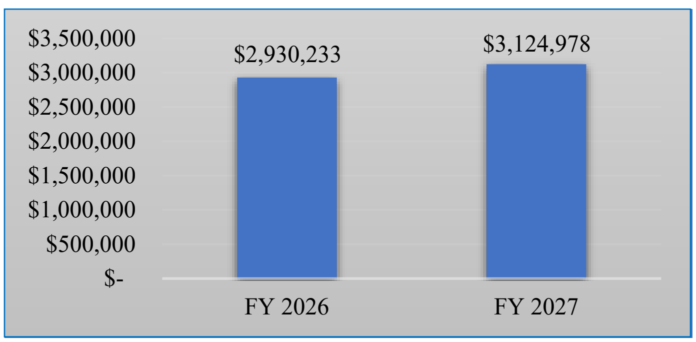
This continuous follow-up process promotes accountability, helps maintain momentum on corrective actions, and ensures that progress on high-priority issues are monitored throughout the year.

BUDGET AND PROFESSIONAL DEVELOPMENT

OCA Budget

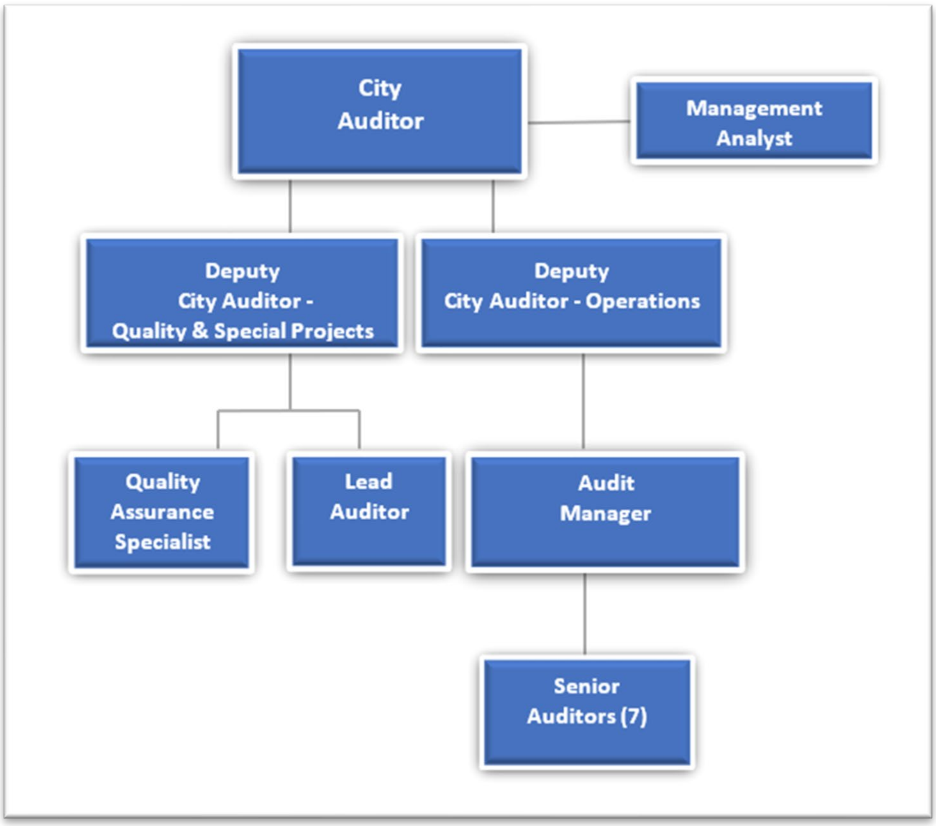
The OCA is committed to operating in a fiscally responsible manner. As shown in **Figure 1**, the OCA's adopted budget for FY 2026 was $2,930,233. The OCA's adopted budget for FY 2027 increased to $3,124,978. The increase was primarily driven by personnel-related costs, including increased employee benefits, retirement system contributions, and the City's 3.25% salary increase, as well as technology improvements.

Figure 1
OCA Budget
FY 2026 vs FY 2027



The adopted FY 2027 OCA budget represents approximately 0.28% of the City's General Fund. The FY 2027 budget is allocated as follows: 80% to personnel expenses and 20% to operating costs. The office was budgeted for 14 full-time positions.

Office of the City Auditor (OCA)
Organizational Chart



The OCA Team and Professional Development

The most valuable asset of the OCA is its people. The OCA is proud to be fully staffed for the first time in many years

The OCA has built a diverse, highly qualified team committed to advancing our mission through excellence and integrity. Staff members bring specialized expertise in areas including accounting, auditing, taxation, information technology, procurement, data analysis, and fraud detection.

In addition to the City Auditor, the office's positions include Deputy City Auditors, an Audit Manager, a Lead Auditor, a Quality Assurance Specialist, Senior Auditors, and an administrative professional. Each role contributes distinct skills that support effective and independent oversight.

OCA audit team are committed to continuous professional development and maintain a wide range of respected certifications and advanced degrees. Currently, these include:

- Certified Public Accountant (CPA)
- Certified Internal Auditor (CIA)
- Certified Information Systems Auditor (CISA)
- Certified Inspector General Auditor (CIGA)
- Certified Fraud Examiner (CFE)
- Certified Government Auditing Professional (CGAP)
- Certification in Risk Management Assurance (CRMA)
- Virginia Contracting Associate Officer (VCA)
- Ph.D. Degrees
- Master's Degrees

Click to read our team member's biographies.

The OCA prioritizes continuous learning to uphold auditing standards, enhance technical capabilities, and maintain professional credentials in alignment with Generally Accepted Government Auditing Standards (GAGAS). In Fiscal Year 2026, OCA staff earned approximately 825 hours of continuing professional education (CPE) credit.

New staff members receive comprehensive onboarding covering:

- The office's mission and audit standards,
- City policies and code,
- The audit manual,
- Information systems and software tools, and
- Ethical expectations and conduct.

The OCA also holds monthly staff meetings that include both formal and informal training sessions on various emerging topics.

During the fiscal year, six OCA team members earned the Data Analytics and Literacy Certificate from the Institute of Internal Auditors. This certificate program helps internal auditors develop competencies in data governance, data management, and analytics. The program also covers emerging technologies, including automation and artificial intelligence, and emphasizes the use of data visualization to clearly communicate results.

In addition, two OCA team members earned the Fraud Analytics for Internal Auditors Certificate. This program provides participants with an understanding of analytical techniques used to identify potential fraud risks and supports the integration of fraud-related testing into audit engagements.

OTHER ACCOMPLISHMENTS AND IMPROVEMENTS

Strategic Improvements at the OCA

In FY 2026, the OCA implemented several strategic improvements to strengthen the quality, consistency, and impact of its work. These efforts reflect the Office's continued shift toward more in-depth audits that identify root causes, support meaningful corrective action, and provide useful information to City Council, management, and the public.

- As part of its ongoing commitment to continuous improvement, the OCA developed new audit planning templates and enhanced existing templates during the fiscal year. These templates support audit planning and risk assessment by helping staff consistently document audited processes, identify key risks, and develop targeted audit objectives and procedures. They are updated as needed to support audit efficiency, consistency, and clear planning documentation expectations.

- The OCA also continued developing its system of quality management in response to updated Government Auditing Standards and as part of its ongoing commitment to audit quality. This system is intended to support compliance with applicable professional standards and the Office's quality expectations. As part of this effort, two positions were realigned to focus on quality assurance, follow-up, special projects, and office modernization. This structure helps ensure that audit work is not only completed efficiently, but also remains effective, well-supported, and consistent with professional standards.

- In FY 2026, the OCA enhanced its continuous auditing and monitoring efforts by moving from a single annual report toward more targeted reviews and analyses throughout the year. Through these efforts, the Office periodically reviews selected City data to identify unusual transactions, potential noncompliance, data abnormalities, and other indicators of financial, operational, compliance, or fraud-related risk. These reviews are narrower and more focused than full performance audits but provide more timely and in-depth assessments of specific risk areas. The results help the OCA communicate concerns sooner and determine whether additional audit work may be needed.

- The OCA also began developing a public-facing recommendation dashboard. Once implemented, the dashboard will display the status of recommendations issued by the OCA and provide more timely information on corrective action progress. This initiative is intended to improve transparency, strengthen accountability, and make recommendation follow-up information more accessible to City Council, management, and the public.

These improvements were supported by the OCA becoming fully staffed for the first time since 2019, which increased the Office's capacity to complete audits, strengthen quality management, expand follow-up efforts, and advance modernization initiatives.

Association of Local Government Auditors Exemplary Knighton Award

Purchasing Cards audit team, pictured left to right: Yolanda McCoy, Deputy City Auditor; Riad Ali, City Auditor; Eunice Carter, Senior Auditor; and Tram Nguyen, Senior Auditor.

In March 2026, the Office of the City Auditor received the Association of Local Government Auditors' (ALGA) 2025 Exemplary Knighton Award for the best performance audit among local government audit organizations of similar size across the United States and Canada. The winning report, Purchasing Cards, was recognized for its significant impact, persuasive and well-supported conclusions, focus on improving government efficiency and effectiveness, and clear communication.

Judges from peer audit organizations noted that the OCA's audit demonstrated that, without appropriate controls, purchasing cards can create significant risk when used extensively across an organization. The judges highlighted the audit's identification of at least $5 million in questionable transactions, the strength of the report's conclusions, and the clear communication of risks that management understood and, in some cases, began mitigating immediately.

Click here to read the Knighton award letter from ALGA.

OCA Outreach and Community Support

While the core mission of the OCA is to promote accountability, transparency, and improvement in City operations through independent audits, we also recognize the importance of engaging with the community and representing the City of Richmond and the audit profession with professionalism and integrity. In FY 2026, the OCA's efforts consisted of the following:

Management of an Ask City Auditor Inbox

The Office of the City Auditor (OCA) manages the Ask City Auditor inbox (AskCityAuditor@RVA.gov) to provide residents with a direct channel for engaging with our office. Residents may submit questions about City operations, recent audit reports, or the work of the OCA. They may also suggest audit topics or report concerns for potential review. resolution.

OCA Volunteer Activity

OCA staff contributed their time to a variety of City-sponsored events and community initiatives throughout the FY. Activities included, representing the City in the Ukrop's Monument Avenue 10K, participating in the Salvation Army's Angel Tree holiday program, and serving as election poll workers to support the voting process.

Professional Leadership and Involvement

The OCA remains actively engaged in the auditing profession in the Commonwealth of Virginia and nationally, contributing to the advancement of government auditing standards and practices. In FY 2026, OCA staff held leadership and service roles in several professional associations, including:

- President and Committee Member of the Virginia Local Government Auditors Association (VLGAA)
- Academic Relations Chair of the Central Virginia Chapter of the Institute of Internal Auditors (IIA)
- Academic Relations Director of the Virginia Chapter of ISACA (Information Systems Audit and Control Association)

Professional Presentations and Knowledge Sharing

The City Auditor and Deputy City Auditor presented at the VLGAA Spring Conference on audit methodology for reviewing government purchasing card programs.

In addition, following the OCA’s Knighton Award recognition, the Deputy City Auditor and an OCA Senior Auditor presented at ALGA’ annual training conference on the OCA’s Purchasing Cards audit, with a focus on data analytics and red flags. These professional contributions support staff development, foster collaboration with peer organizations, and help position the City of Richmond as a leader in public sector audit excellence.