

CITY OF RICHMOND, VIRGINIA

REPORT ON SINGLE AUDIT

JUNE 30, 2019

**CITY OF RICHMOND, VIRGINIA
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Members of the City Council
City of Richmond, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Richmond, Virginia (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 3, 2019.

Our report includes a reference to other auditors who audited the financial statements of the following discretely presented component units: Richmond School Board, Richmond Economic Development Authority, and Richmond Behavioral Health Authority. We also did not audit the financial statements of the Richmond Retirement System which was included in the aggregate remaining fund information. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Responses, we did identify certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2019-004 to be a material weakness.

The Honorable Members of the City Council
City of Richmond, Virginia

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2019-001, 2019-002, and 2019-003 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Richmond's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Arlington, Virginia
November 3, 2019



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

The Honorable Members of the City Council
City of Richmond, Virginia

Report on Compliance for Each Major Federal Program

We have audited the City of Richmond, Virginia's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2019. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of Richmond School Board, Richmond Ambulance Authority, Richmond Redevelopment and Housing Authority, Economic Development Authority, and Richmond Retirement System. These component units have been excluded from the accompanying schedule of expenditures of federal awards during the year ended June 30, 2019. Our audit, described below, did not include the operations of Richmond School Board, Richmond Ambulance Authority, Richmond Redevelopment and Housing Authority, Economic Development Authority and Richmond Retirement System because these component units engaged other auditors to perform an audit in accordance with Title 2 U.S. Code of Federal Regulations for Federal Awards, where applicable.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-005. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-005 that we consider to be a significant deficiency.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to

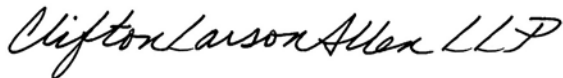
The Honorable Members of the City Council
City of Richmond, Virginia

the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated November 3, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The City's financial statements include the operations of Richmond School Board, Richmond Ambulance Authority, Richmond Redevelopment and Housing Authority, Economic Development Authority and Richmond Retirement Systems for the year ended June 30, 2019. The federal expenditures, where applicable, for Richmond School Board, Richmond Ambulance Authority, Richmond Redevelopment and Housing Authority, Economic Development Authority and Richmond Retirement System are not included in the schedule of expenditures of federal awards. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Arlington, Virginia
November 26, 2019

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Pass Through Grantor Number	Pass-Through to Subrecipients	Federal Expenditures
OFFICE OF NATIONAL DRUG CONTROL POLICY				
Passed Through Cal Ripkin, Sr. Foundation				
High Intensity Drug Trafficking Agency	07.999	2018-FED-WBHIDTA-B4B-VA-2		\$ 3,991
High Intensity Drug Trafficking Agency	07.999	2019-FED-WBHIDTA-B4B-VA-3		\$ 488
Passed Through Mercy Hurst University				
High Intensity Drug Trafficking Agency	07.999	I-2018TXRichmond, G18WB0004A		114,972
High Intensity Drug Trafficking Agency	07.999	1-2019TXRRICHMOND		<u>14,844</u>
TOTAL DEPARTMENT OF INTERIOR				<u>134,295</u>
U.S. DEPARTMENT OF AGRICULTURE:				
Direct Payments:				
Child and Adult Food Care Program	10.558			93,178
Summer Food Service Program for Children	10.559			654,861
Passed Through Virginia Department of Social Services:				
Supplemental Nutrition Assistance Program (SNAP) Cluster:				
State Administrative Matching Grants for the				
Supplemental Nutrition Assistance Program	10.561	Laser Report		<u>4,276,620</u>
Total SNAP Cluster				<u>4,276,620</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>5,024,659</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Payments:				
Community Development Block Grant Cluster				
Community Development Block Grant Program				
Entitlement Grants (CDBG)	14.218		\$ 4,339,546	<u>5,893,508</u>
Total Community Development Block Grant Cluster				<u>5,893,508</u>
Home Investment Partnerships Program (HOME)				
Home Investment Partnerships Program (HOME)	14.239		1,052,357	1,095,416
Emergency Shelter Grant	14.231			379,048
Housing Opportunities for Persons with AIDS (HOPWA)	14.241		1,102,072	1,117,060
Continuum of Care - Fuse PSH				
Continuum of Care - Fuse PSH	14.267			(818)
Continuum of Care - Shelter Plus Care	14.267			<u>96,410</u>
Total Continuum of Care				<u>95,592</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				<u>8,580,624</u>
U.S. DEPARTMENT OF JUSTICE				
Direct Payments:				
Crime Victim Assistance	16.575			761,883
Drug Court Discretionary Grant Program	16.585			61,603
Public Safety Partnership and Community Policing Grants	16.710			27,399
Edward Byrne Memorial Justice Assistance Grant Program				
Edward Byrne Memorial Justice Assistance Grant Program	16.738			51,028
Smart Policing Program - Richmond Action	16.738			50,529
Juvenile Accountability Incentive Block Grant (JAIBG) FY18	16.738			<u>33,771</u>
Total Edward Byrne Memorial Justice				<u>135,328</u>
Passed Through Bedford County:				
Project Safe Neighborhoods	21.000	N/A		76,055
Juvenile Justice and Delinquency Prevention	16.540	N/A		<u>558</u>
TOTAL U.S. DEPARTMENT OF JUSTICE				<u>1,062,826</u>

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Pass Through Grantor Number	Pass-Through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION				
Passed Through Virginia Department of Transportation:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction (Capital Projects) -	20.205	290-8130 TRAFF SAFETY		\$ 7,806,239
Passed Through Virginia Department of Transportation Virginia Department of Rail and Public Transportation:				
Employee Trip Reduction	20.205	47017-04		153,103
Total Highway Planning and Construction Cluster				<u>7,959,342</u>
Passed Through Virginia Division of Motor Vehicles:				
State and Community Highway Safety	20.600	FPS-2018-58198-8198		3,915
State and Community Highway Safety	20.600	154-AL-2018-58180-8180		18,301
State and Community Highway Safety	20.600	SC-2018-58914-8194		5,991
State and Community Highway Safety	20.600	FOP-2018-58195-8195		3,948
State and Community Highway Safety	20.600	FOP-2019-59353-9353		7,557
State and Community Highway Safety	20.600	154AL-2018-58180-8180		32,812
State and Community Highway Safety	20.600	FPS-2019-59354-9354		3,968
State and Community Highway Safety	20.600	FCS-2019-59319-9319		29,491
Total Highway Safety Cluster				<u>105,983</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION				<u>8,065,325</u>
ENVIRONMENTAL PROTECTION AGENCY				
Passed Through Virginia Resource Authority				
Clean Water State Revolving Fund Cluster:				
Capitalization Grants for Clean Water State Revolving Funds-				
Virginia Water Facilities Revolving (EPA)	66.458	4401DRVAP000001		25,859
Total Clean Water State Revolving Fund Cluster				<u>25,859</u>
Brownfield Assessment and Cleanup Cooperative Agreements	66.818	BF-963233-01-0		144,713
Brownfield Assessment and Cleanup Cooperative Agreements	66.818	BF-963232-01-0		1,198
Total Brownfield Assessment				<u>145,911</u>
TOTAL ENVIRONMENTAL PROTECTION AGENCY				<u>171,770</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Payment:				
Heathy Start	93.926			618,161
Passed Through Mercy Hurst University				
Adult Drug Court - RADTC - SAMHSA	93.243	5H79T1026079-03		127,857
Adult Drug Court - RADTC - SAMHSA	93.243	1H79TI081026-01		159,260
Total Adult Drug Court				<u>287,117</u>
Promoting Safe and Stable Families	93.556	RDSS LASER		126,922
Temporary Assistance for Needy Families Cluster				
Temporary Assistance for Needy Families	93.558	RDSS LASER		3,672,520
Total Temporary Assistance for Needy Families Cluster				<u>3,672,520</u>
Refugee and Entrant Assistance State/Replacement Designee				
Administered Programs	93.566	RDSS LASER		\$ 2,334
Low-Income Home Energy Assistance	93.568	RDSS LASER		583,333
Child Care Cluster:				
Child Care and Development Block Grant	93.575	RDSS LASER		(2,277)
Child Care Mandatory and Matching Funds	93.596	RDSS LASER		639,235
Total Child Care Cluster				<u>636,958</u>
Chafee Education and Training Vouchers Program (ETV)	93.599	RDSS LASER		49,366
Adoption and Legal Guardianship Incentive Payments	93.603	RDSS LASER		3,000
Stephanie Tubbs Jones Child Welfare Services Program	93.645	RDSS LASER		4,310
Foster Care Title IV E	93.658	RDSS LASER		3,620,869

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Pass Through Grantor Number	Pass-Through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)				
Passed Through Virginia Department of Social Services (Continued):				
Adoption Assistance - Title IV-E	93.659	RDSS LASER		2,961,750
Social Service Block Grant (SSBG),	93.667	RDSS LASER		2,886,487
Chafee Foster Care - Independent Living & Administrative	93.674	RDSS LASER		59,019
Children's Health Insurance Program	93.767	RDSS LASER		111,945
Medicaid Cluster				
Medical Assistance Program	93.778	RDSS LASER		4,939,323
Total Medicaid Cluster				<u>4,939,323</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u>20,563,414</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:				
Passed Through Virginia Department of Social Services:				
AmeriCorps	94.006	CVS-17-048		254,860
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE TOTAL				<u>254,860</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed Through Virginia				
Department of Emergency Management				
Emergency Management Performance Grants	97.042	LEMPG FY16		86,890
Homeland Security Grant Program	97.067	7326		179,107
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY TOTAL				<u>265,997</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 44,123,770</u>

**CITY OF RICHMOND, VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

NOTE 1 BASIS OF PRESENTATION

Organization

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the primary government of the City of Richmond, Virginia (the City), and is presented on the modified-accrual basis of accounting. Federal awards of component units of the City reporting entity are not included in this Schedule.

The information in this Schedule is also presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

Expenditures of federal award grant funds are made for the purposes specified by the grantor, and are subject to certain restrictions. Expenditures are also subject to audit by the relevant federal agency. In the opinion of management, disallowed costs, if any, from such audits will not have a material effect on this Schedule or the financial position of the City.

NOTE 2 INDIRECT COST

The City did not elect to use the 10% de minimis cost rate for indirect costs.

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified? x yes none reported
3. Noncompliance material to financial statements noted? yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? yes x no
 - Significant deficiency(ies) identified? x yes none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes no

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
93.558	Temporary Assistance for Needy Families
93.778	Medical Assistance Program
93.659	Adoption Assistance
14.241	Housing Opportunities for Persons with AIDS
14.218	Community Development Block Grant

Dollar threshold used to determine Type A programs: \$1,323,713

Auditee qualified as low-risk auditee? yes x no

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Section II – Financial Statement Findings

**2019-001 – Recording of Retainage Payable – Significant Deficiency
Prior Year Finding #2018-001**

Condition

The City did not record a liability for retainage payable related to these construction in progress invoices. Retainage payable represents a liability attributable to the acquisition, construction or improvement of capital assets (in this case, construction in progress). The retainage payable amount is included on construction in progress invoices as a reduction of total expenditures incurred.

Criteria

Generally Accepted Accounting Principles (GAAP) require that all transactions of an entity be properly accounted for in the period they occur.

Cause

The City has a history of not accounting for these transactions and therefore, has not established the appropriate policies and procedures to ensure proper accounting.

Effect

Failure to record retainage payable may result in the misstatement of liability and expenditures. Further, the financial information provided to management and those charged with governance may not be accurate or relevant.

Recommendation

We recommend that the City recognize retainage and establish ongoing training for those individuals responsible for the accounting of these transactions as well as the departments required to provide information needed by the Finance Department to properly account for retainage.

Management's Response

Purchase orders are created for the entire amount of the project which encumbers the funds. Currently, projects are paid in phases and a hold is placed on a portion of the funds until the completion date of the project. Once the project is complete, the balance on the purchase order which is encumbered, is released/paid to reflect the retainage amount which was held. The City has a mechanism in the system that identifies retainage as a type of payment but this was not used in previous years as an identifying marker for the final payment (retainage). The Finance Department has communicated with all applicable departments to identify the release of the financial retainage amounts prior to the payment being released. The City is in the process of a system upgrade that it will track and record retainages that have not been paid at year end and will record them as a liability.

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Section II – Financial Statement Findings (Continued)

**2019-002 – Information Technology Controls – Significant Deficiency
Prior Year Finding #2018-003**

Condition

Our review of the general computer controls at the City's Department of Information Technology (DIT) disclosed several internal control deficiencies. Their general computer control deficiencies included:

- Strategic Plan – The City's DIT has not developed a strategic plan for the short- or long-term objectives for IT resources and projects to meet the City's needs.
- Periodic Review of Access – The City has not developed a process to periodically review the active user listing for either the continued need for access or the appropriateness of access retained.
- Password Configuration – The City has not configured password settings in conformance with the established policy or leading industry practices. These configurations included password history, minimum password age, and account lockout settings.

Criteria

A well-designed system of internal controls related to application access and security requires sound general computer controls be established and functioning to reduce the risk that the City's operations are out of compliance with industry best practices and management's objectives and expectations.

Cause

The lack of sufficient employee resources within the City during the year resulting in their inability to perform the required steps necessary to ensure controls are operating and effective. In addition, the City does not have sufficient policies and procedures, including monitoring controls.

Effect

An ineffective control environment increases the risk that financial data integrity is not maintained.

Recommendation

We recommend the City evaluate the items noted and implement updated procedures to improve the general computer controls to include:

- Develop an IT strategic plan to develop resources in alignment with the overall City direction and strategy.
- Develop a process to periodically review the active user listing in the system to validate the appropriateness of user accounts and their associated access rights.
- Implement configuration changes to conform to City policies and periodically assess that configurations continue to align with management's expectations.

Management's Response:

The DIT has engaged an external provider to assist in the development of a comprehensive strategic plan. This plan will provide a complete assessment of the security environment and the appropriateness of access controls. DIT plans to implement the findings from this study by June 30, 2020.

Additionally, the City has revamped the funding structure from DIT and created an internal service fund which will provide the necessary resources to enhance security measures.

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Section II – Financial Statement Findings (Continued)

**2019-003 – Use of Miscellaneous Vendor – Significant Deficiency
Prior Year Finding #2018-004**

Condition

The “Miscellaneous Vendor” code is not being consistently used for its intended purpose. This code was established for small social services reimbursements; however, we noted the code was being used for large recurring vendors. The use of the “Miscellaneous Vendor” code allows for a bypass of the normal procurement process.

Criteria

All large vendors paid by the City should be subjected to the City’s procurement processes.

Cause

The City is not monitoring the use of the “Miscellaneous Vendor” code and necessary procurement processes are not being followed.

Effect

The use of the “Miscellaneous Vendor” code can allow employees to surpass the approval process of requesting a new vendor through the procurement department. This could result in related party vendors or vendors who are suspended and debarred. Bypassing the procurement process may also increase the risk of fraud related to disbursement of funds.

Recommendation

We recommend the City limit the use of the “Miscellaneous Vendor” code. We also recommend the City establish controls to review all checks issued to “Miscellaneous Vendor”.

Management’s Response:

The Procurement Department is going to establish an accounts payable vendor type for “one time only” vendor payments to eliminate the need of the miscellaneous vendors. We expect to dramatically reduce the need and usage of this vendor type.

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Section II – Financial Statement Findings (Continued)

2019-004 – Parking Fund Assets – Material Weakness

Condition

Capital expenditures related to parking fund assets were recorded in governmental activities and not in the parking fund.

Criteria

The City should have controls in place to ensure that all capital expenditures are recorded in the fund they are related to.

Cause

The City did not have a process to monitor if capital expenditures were recorded in the correct fund.

Effect

Fund balance was understated as of July 1, 2018 for the parking fund and net position was overstated as of July 1, 2018 for governmental activities. An adjusting entry to beginning fund balance and net position was required.

Recommendation

We recommend the City review its existing policies and procedures related to the recording of capital assets to ensure all capital expenditures are recorded in the fund in which the assets are held.

Management's Response

Finance has developed a new protocol in the Rapids system which will alert management in advance of the need to capitalize assets. In addition, Finance has developed a report that is reviewed monthly to identify assets which has reached significantly point of completion to evaluate the timeframe for capitalization.

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Section III – Federal Award Findings and Questioned Costs

2019-005

Federal Agency:	U.S. Department of Health and Human Services
Federal Program:	Adoption Assistance – Title IV-E
Pass-Through Agency:	Virginia Department of Social Services
Pass-Through Award Number:	None
CFDA Number:	93.659
Award Period:	July 1, 2018 – June 30, 2019
Grant Number:	None
Compliance Requirement:	Eligibility
Type of Finding:	Significant Deficiency, non-compliance
Prior Year Finding:	No

Criteria

Internal Control:

The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

(c) Evaluate and monitor the non-Federal entity’s compliance with statutes, regulations and the terms and conditions of Federal awards.

(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Compliance: In order to be eligible for Adoption Assistance funds per 42 U.S. Code 673(c)(1)(B), the Title IV-E agency has to have made reasonable efforts to place the child for adoption without a subsidy.

Condition: We identified that 1 out of 40 cases tested did not have evidence that the Title IV-E agency made reasonable efforts to place the child for adoption without a subsidy.

Questioned Costs: Not determined.

Cause

Noncompliance was due to review process for eligibility not being properly designed.

Effect

The City is providing assistance to individuals who may not be eligible. Internal controls may be ineffective if procedures are not consistently performed.

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Recommendation

We recommend that the City review its procedures and enhance them as deemed necessary to ensure proper monitoring occurs. The City should reiterate its procedures for documenting eligibility to ensure consistent application of procedures.

Management's Response

The City will review and amend its procedures as necessary to ensure that proper monitoring of the program occurs. The City will consider additional training as needed to ensure its program procedures for eligibility are being followed by employees regarding consistency in the application.

CITY OF RICHMOND, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019

Section III – Findings and Questioned Costs Related to Compliance With Commonwealth of Virginia Laws, Regulations, Contracts, and Grants

None noted.