

CITY OF RICHMOND, VIRGINIA

**REPORT ON SINGLE AUDIT
JUNE 30, 2016**

CITY OF RICHMOND, VIRGINIA

REPORT ON SINGLE AUDIT

JUNE 30, 2016

INDEPENDENT AUDITORS' REPORTS

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 <i>GOVERNMENT AUDITING STANDARDS</i>	1
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS ON EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE	3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	7
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	10
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	11
SCHEDULE OF PRIOR YEAR FINDINGS	31
CORRECTIVE ACTION PLANS	45



CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

**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 City Council
of City of Richmond
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 (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Richmond's basic financial statements, and have issued our report thereon dated May 2, 2017.

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, Richmond Ambulance Authority, and Richmond Behavioral Health Authority as described in our report on the City of Richmond's financial statements. We also did not audit the financial statements of the Richmond Retirement System which was included in the aggregate remaining fund information. The financial statements of the Richmond Retirement System were not audited in accordance with *Government Auditing Standards*. 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 of Richmond'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 of Richmond's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Richmond'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 were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2016-001, 2016-002 and 2016-003 to be material weaknesses.

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 questioned costs as items 2016-004, 2016-005, 2016-006 and 2016-007 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Richmond'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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2016-008.

City of Richmond's Response to Findings

The City of Richmond's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Richmond'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Arlington, Virginia
May 2, 2017



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

The Honorable City Council
of City of Richmond
Richmond, Virginia

Report on Compliance for Each Major Federal Program

We have audited 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, 2016. 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 financial statements include the operations of Richmond School Board, Richmond Economic Development Authority, Richmond Ambulance Authority, Richmond Redevelopment and Housing Authority, and Richmond Behavioral Health Authority for the year ended June 30, 2016, discretely presented component units which may have received federal awards and which are not included in the accompanying schedule of expenditures of federal awards for the year ended June 30, 2016. Our audit described below did not include the operations of these entities.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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.

Basis for Qualified Opinion

As described in the accompanying schedule of findings and questioned costs, the City's major federal programs did not comply with requirements regarding CFDA #93.558 – Temporary Assistance for Needy Families (TANF) eligibility as described in 2016-009 and 2016-010 and CFDA #14.218 - Community Development Block Grant (CDBG) period of availability as described in 2016-013. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to the programs.

Qualified Opinion on Temporary Assistance for Needy Families (TANF)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 CFDA 93.558 - Temporary Assistance for Needy Families for the year ended June 30, 2016.

Qualified Opinion on Community Development Block Grant (CDBG)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 CFDA 14.218 - Community Development Block Grant (CDBG) for the year ended June 30, 2016.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the summary of auditors' results section of the accompany schedule of findings and questioned costs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-011, 2016-012, and 2016-014. Our opinion on each major program is not modified with respect to these matters.

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

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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 were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-009, 2016-010 and 2016-013 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-011, 2016-012 and 2016-014 to be significant deficiencies.

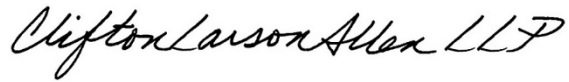
The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express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

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, 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 (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Richmond's basic financial statements, and have issued our report thereon dated May 2, 2017, 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 Richmond School Board, Richmond Economic Development Authority, Richmond Ambulance Authority, and Richmond Behavioral Health Authority for the year ended June 30, 2016. The federal expenditures, where applicable, for Richmond School Board, Richmond Economic Development Authority, Richmond Ambulance Authority, and Richmond Behavioral Health Authority 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 expenditure of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Arlington, Virginia

September 29, 2017, except for the schedule of expenditures
of federal awards which is dated May 2, 2017

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016**

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				
DIRECT PAYMENTS:				
Passed Through MercyHurst University	07.999			\$ 120,511
High Intensity Drug Trafficking Agency	07.999			15,426
TOTAL DEPARTMENT OF INTERIOR				135,937
U.S. DEPARTMENT OF AGRICULTURE:				
DIRECT PAYMENTS:				
Child and Adult Food Care Program	10.558			54,552
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		4,245,590
Total SNAP Cluster				4,245,590
TOTAL DEPARTMENT OF AGRICULTURE				4,300,142
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
DIRECT PAYMENTS:				
Community Development Block Grant Program				
Entitlement Grants (CDBG)	14.218		4,882,003	5,265,417
Neighborhood Stabilization Program	14.228			80,800
Community Development				
Block Grant Program- Outstanding Loans	14.218			311,675
				5,657,892
Home Investment Partnerships Program (HOME)	14.239			1,182,271
Emergency Shelter Grant	14.231			352,238
Housing Opportunities for Persons with AIDS (HOPWA)	14.241			1,035,337
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				8,227,738
U.S. DEPARTMENT OF JUSTICE				
DIRECT PAYMENTS:				
Juvenile Accountability Block Grant-	16.523			6,826
Post Disposition of RJDC				
Edward Byrne Memorial Justice Assistance Grant Program	16.738			50,041
Criminal and Juvenile Justice and				
Mental Health Collaboration Program	16.745			26,292
TOTAL DEPARTMENT OF JUSTICE				83,159

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

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		9,122,071
Passed Through Virginia Department of Transportation Virginia Department of Rail and Public Transportation:				
Employee Trip Reduction	20.205	SC-2015-55123-5862		177,824
Total Highway Planning and Construction Cluster				<u>9,299,895</u>
Passed Through Virginia Division of Motor Vehicles:				
Highway Safety Cluster:				
FY16 Selective Enforcement - Alcohol	20.601	154AL-2015-55120- 5859		32,354
FY15 Selective Enforcement - Alcohol	20.600	PS-2015-55108-5847		1,200
FY15 Selective Enforcement - Speed	20.600	SC-2015-55123-5862		8,215
FY16 Selective Enforcement - Speed	20.600	OP-2016-56098-6298		13,789
FFY2016 Selective Enforcement - Ped/Bic	20.600	SC-2016-56095-6295		489
FFY2016 Selective Enforcement - Occup	20.600	OP-2016-56098-6298		1,857
Total Highway Safety Cluster				<u>57,904</u>
TOTAL DEPARTMENT OF TRANSPORTATION				<u>9,357,798</u>
ENVIRONMENTAL PROTECTION AGENCY				
Clean Water Cluster:				
Capitalization Grants for Clean Water State Revolving Funds-				
Virginia Water Facilities Revolving (EPA)	66.458	C-515430-02		2,448,542
Total Clean Water Cluster				<u>2,448,542</u>
TOTAL ENVIRONMENTAL PROTECTION AGENCY				<u>2,448,542</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed Through Virginia Department of Social Services				
Promoting Safe and Stable Families & Administration	93.556	RDSS LASER		124,640
Temporary Assistance for Needy Families	93.558	RDSS LASER		4,084,781
Refugee Assist (Refugee Resettlement) & Administrative	93.566	RDSS LASER		13,803
Low Income Home Energy Assistance Program -				
Staff & Operations	93.568	RDSS LASER		463,333
Child Care Cluster:				
Child Care and Development Block Grant	93.575	RDSS LASER		(3,412)
Child Care Mandatory and Matching Funds	93.596	RDSS LASER		651,132
Total Child Care Cluster				<u>647,720</u>
Chafee Education and Training Vouchers	93.599	RDSS LASER		23,082
Child Welfare Services - IVB1 Admin.	93.645	RDSS LASER		20,527
Foster Care Title IV E	93.658	RDSS LASER		3,443,724

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

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 (cont.)				
Direct				
Heathy Start	93.256			791,452
Passed Through Virginia Department of Social Services				
Adoption Assistance - Title IV-E	93.659	RDSS LASER		2,841,521
Social Service Block Grant (SSBG),	93.667	RDSS LASER		2,921,106
Chafee Foster Care - Independent Living & Administrative	93.674	RDSS LASER		56,275
Children's Health Insurance Program-				
Local Medicaid -FAM Administrative	93.767	RDSS LASER		204,718
Medicaid Cluster				
Outstationed Worker/Local Medicaid /				
Staff & Operations, Administrative & Cost Allocation	93.778	RDSS LASER		5,802,108
Total Medicaid Cluster				<u>5,802,108</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u>21,438,790</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:				
Passed Through Virginia Department of Social Services:				
Ameri Corps	94.006	CVS-12-043-08, CVS- 12-043-05		195,645
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE TOTAL				<u>195,645</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed Through Virginia				
Department of Emergency Management				
Hazard Mitigation Program	97.039	HMPB-1905-760-020		44,767
Emergency Management Performance Grant	97.042	EMPG FY14		71,110
Local Emergency Management Performance Grant	97.042	LEMPG FY16		50,737
TOTAL DEPARTMENT OF HOMELAND SECURITY TOTAL				<u>166,614</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 46,354,365</u>

CITY OF RICHMOND, VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2016

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the primary government of 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 LOAN PROGRAMS WITH CONTINUING COMPLIANCE REQUIREMENTS

The City participates in the Community Development Block Grant. The balance of loans from previous years and current year loan activity, as required under the Uniform Guidance, are presented in the Schedule of Expenditures of Federal Awards. As of June 30, 2017, the CDBG outstanding loan balance was \$311,675.

NOTE 3 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, 2016**

PART I – SUMMARY OF AUDITORS’ RESULTS

Financial Statement Section

Type of auditors’ report issued: Unmodified

	<u>Yes</u>	<u>No</u>
Internal control over financial reporting:		
Material weakness(es) identified?	X	
Significant deficiency(ies) identified not considered to be material weaknesses?	X	
Noncompliance material to financial statements noted?	X	

Federal Awards Section

	<u>Yes</u>	<u>No</u>
Material weakness(es) identified?	X	
Significant deficiency(ies) identified not considered to be material weaknesses?		X

Type of auditors’ report on compliance for major programs: See below

	<u>Yes</u>	<u>No</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 516	X	

Identification of major programs:

CFDA Number(s) Name of Federal Program or Cluster

10.561	Unmodified - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program Cluster
14.218	Qualified - Community Development Block Grant
20.205	Unmodified - Highway Planning and Construction
66.458	Unmodified - Clean Water Revolving Loan Fund
93.558	Qualified - Temporary Assistance for Needy Families
93.667	Unmodified - Social Service Block Grants
93.658	Unmodified - Foster Care Title IV-E
93.659	Unmodified - Adoption Assistance
93.777	Unmodified - Medicaid

Dollar threshold used to determine Type A programs: \$1,381,281

	<u>Yes</u>	<u>No</u>
Auditee qualified as low-risk auditee?		X

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

PART II – FINANCIAL STATEMENT FINDINGS SECTION

**2016-001 – Accounting and Financial Reporting for Capital Assets – Material Weakness
Prior Year Finding 2015-001**

Condition

The City did not properly account for capital projects in accordance with GAAP. The City completed construction on several capital projects and they were placed in service; however, the City did not close those projects from construction work in process and begin to depreciate the capital assets. While total asset value was recorded correctly in construction work in process, the capital assets were required to be depreciated upon completion in accordance with GAAP and the City's capitalization policy.

Criteria

Capital projects should be capitalized in the period in which they are placed in service or are substantially completed.

Cause

The City has identified project managers with the responsibility of monitoring the progress on construction projects. However, communication between the project managers and those charged with financial reporting responsibilities are insufficient.

Effect

Failure to capitalize capital projects once they are completed could result in misstatement of depreciation expense for the year and improper reporting of capital assets.

Recommendation

We recommend the City establish policies and procedures to ensure that the City's project managers are reviewing all capital projects during the year to determine if projects are substantially completed. The City should also establish policies and procedures to improve communication between the project managers and those charged with financial reporting responsibilities.

Management's Response

Management concurs with the recommendation. The City had limited staffing during the fiscal year, but the Finance Department received funding in the FY2017 budget to fully staff previously vacant positions. In addition, the Department of Finance has engaged a consultant to review, assess and re-implement the Project & Grants configuration module in RAPIDS. General government employees will receive additional training on new policies and procedures regarding the use of Projects & Grants module for the reporting of Capital Assets once the re-implementation is complete.

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

**2016-002 – Reconciling Suspense/Holding Accounts – Material Weakness
Prior Year Finding 2015-003**

Condition

The City uses capital asset suspense accounts to “hold” transactions which require further research and classification. However, these accounts are not reconciled timely throughout the year.

Criteria

Guidance recommends that suspense accounts be used on a temporary basis. Transactions should be removed from the suspense accounts and moved to a permanent account once the permanent account is known.

Cause

Due to turnover, the City lacks sufficient accounting staff to ensure that reconciliations of the suspense accounts were performed on a timely basis.

Effect

Failure to reconcile these suspense accounts timely could result in the balances in certain capital project accounts to be misstated. Further, the financial information provided to those charged with governance may not be accurate, timely or relevant.

Recommendation

We recommend that the City use these suspense accounts only when it is truly necessary and further research is required. We also recommend the City establish policies and procedures to ensure these suspense accounts are reconciled on a timely basis periodically throughout the year.

Management’s Response

Management concurs with the recommendation. The accounts will be reconciled on a weekly basis to ensure posting to the appropriate accounts going forward. A Standard Operating Procedure will be developed and implemented to document the process of reconciling the account on a timely basis.

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

**2016-003 – Timeliness of Reconciliation Processes – Material Weakness
Prior Year Finding #2015-002**

Condition

There were numerous routine reconciliations that were not prepared timely. Certain reconciliations were not completed until after the end of the fiscal year. These reconciliations included monthly cash accounts, monthly investment accounts, and capital asset reconciliations from the subsystem to the general ledger.

Criteria

Guidance recommends that responsible personnel perform control activities in a timely manner as defined by the policies and procedures.

Cause

The City has not instituted sufficient monitoring controls to ensure that such reconciliations are prepared, reviewed, and approved timely.

Effect

Failure to perform routine reconciliations timely results in increased risk that a material error in balances may not be prevented and detected. In addition, the financial information provided to those charged with governance may not be accurate, timely, or relevant.

Recommendation

In order to make the financial reports generated by the accounting system as meaningful as possible, the City should reconcile the general ledger accounts for cash, investments, and capital assets to supporting documentation on a monthly basis. A benefit of monthly reconciliations is that errors do not accumulate. Such errors can be identified, attributed to a particular period, and corrected, which makes it easier to perform future reconciliations.

Management's Response

Management concurs with the recommendations. The City had limited staffing during the fiscal year and was in the process of finalizing three fiscal year CAFRs within a span of 22 months with limited staff. The Finance Department has since received funding in the FY2017 budget to fully staff previously vacant positions with the anticipation of providing timely reconciliations and final reporting.

CITY OF RICHMOND, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

2016-004 – Recording of Retainage Payable- Significant Deficiency
Prior Year Finding #2015-005

Condition

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. The City has not been recording a liability for retainage payable related to these construction in progress invoices.

Criteria

Accounting standards require that transactions of an entity be accounted for in accordance with generally accepted accounting principles.

Cause

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

Effect

Failure to record retainage payable may result in the misstatement of liability and expenditures. Further, the financial information provided to 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 those departments required to provide information needed by the Finance Department to properly account for retainage.

Management's Response

Management concurs with the recommendations. 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 final retainage amounts prior to the payment being released. In future years, the City will track and record those retainages that have not been paid at year end and record them as a liability.

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

**2016-005 – Recording of Other Post-Employment Benefits – Significant Deficiency
Prior Year Finding #2015-005**

Condition

The City's Other Post-Employment Benefit (OPEB) obligation represents employees from different departments and funds within the City. The City has accounted for its Other Post Employment Benefit (OPEB) obligation as a long term liability at the governmental activities level. However, the City did not allocate the portion of the OPEB obligation to business type activities, proprietary, and internal service funds.

Criteria

Accounting standards require that transactions of an entity be accounted for in accordance with generally accepted accounting principles.

Cause

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

Effect

Failure to allocate the Other Post-Employment Benefit obligation amongst all funds could result in a misstatement of liabilities. In addition, the financial information provided to those charged with governance may not be accurate or relevant.

Recommendation

We recommend that the City establish a policy for determining the amount of the Other Post-Employment Benefit (OPEB) obligation that should be allocated and recorded to all funds.

Management's Response

Management concurs with the recommendation. The City had limited staffing during the fiscal year, but the Finance Department received funding in the FY2017 budget to fully staff previously vacant positions. Finance staff will work to properly segregate and report the aforementioned transactions, and has included additional actuarial work in the upcoming engagement in order to more specifically allocate OPEB obligations across funds.

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

**2016-006 – Journal Entry Approvals – Significant Deficiency
Prior Year Finding #2015-006**

Condition

Certain individuals within the accounting function have the ability to prepare and post journal entries without a secondary approval.

Criteria

Journal entries should be reviewed and approved by someone other than the preparer.

Cause

The lack of sufficient employee resources within the City during the year resulted in an inappropriate segregation of duties.

Effect

Lack of segregation of duties results in an increased risk of financial reporting errors or misappropriation of assets.

Recommendation

We recommend that the City establish policies to ensure regardless of the staffing constraints that segregation of duties is always maintained. Additionally, the City should enable controls within the system that prevent the same user to prepare, post and approve an entry.

Management's Response

Management concurs with the recommendation. The City adopted ORACLE's standard password management and system security settings for the RAPIDS application. The adopted settings included procedures for complex password settings, locking out of a session after a specified period of inactivity and locking an account after a predetermined number of invalid log-on attempts.

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

**2016-007 – Information Technology Controls – Significant Deficiency
Prior Year Finding #2015-007**

Condition

Our review of the general computer controls at the City's Department of Information Technology (DIT) disclosed several internal control deficiencies. These 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.
- Risk Assessment – The City's DIT has not recently documented an assessment of the risk associated with delivering on their objectives nor has DIT performed an assessment of the technical vulnerabilities of the network or infrastructure.
- Termination of User Access – The City does not effectively communicate and act upon terminations to remove user access from the City's resources. Of a sample of 15 terminations occurring during the period, we noted that 10 employees continued to have access to one or more systems after their termination date.
- Periodic Review of Access – The City has not developed a process to periodically review active user listing for either the continued need for access or the appropriateness of access retained.
- Password Configuration – The City has not configured password setting in conformance with the established policy or leading practices where a policy statement has not been established. The 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 suggests that sound general computer controls be established and functioning to reduce the risk that the City's operations are out of compliance with management's objectives and expectations and industry best practices.

Cause

The lack of sufficient employee resources within the City during the year resulted in its 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 results increased risk that financial data integrity is not being maintained.

Recommendation

We recommend that 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.
- Document the risk to the organization and develop corrective actions for risk that are not adequately mitigated. The risk assessment should include independent validation of network and infrastructure configurations and vulnerabilities.

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

- Develop an improved process to communicate and validate that system access is removed upon an employee's termination.
- Develop a process to periodically review active system list to validate that appreciations of account 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

Management concurs with the recommendation. The City adopted ORACLE's standard password management and system security settings for the RAPIDS application. The adopted settings included procedures for complex password settings, locking out of a session after a specified period of inactivity and locking an account after a predetermined number of invalid log-on attempts. The City does not have design control over these elements as we would for a self-developed system.

The Department of Information Technology will conduct a review of the current settings, to determine if there are options to match more closely these recommendations. To further assist with this effort, the City Administration has engaged Astyra Corporation to assist the City with reviewing existing access controls and making recommendations to ensure that conflicting/competing access is eliminated. That project is expected to alleviate the segregation of duty concerns.

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

**2016-008 – Failure to Comply with the Single Audit Act and Virginia Reporting Requirements -
Material Noncompliance
Prior Year Finding #2015-APA 12, 2015-008**

Condition

The City of Richmond is required to obtain an audit of its schedule of expenditures of federal awards as it expended greater than \$750,000 in federal awards during fiscal year ending June 30, 2016. As of the date of this report, the City has not yet issued this required audit. In addition, the City did not issue its audit report by November 30, as required by Virginia.

Criteria

Uniform Guidance 2 CFR section 200.512 requires the following:

The audit must be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section must be submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period.

In addition, the City must submit the final audited financial report to the Auditor of Public Accounts by November 30 of each year in accordance with Section 15.2-2510 of the Code of Virginia.

Cause

The lack of sufficient employee resources within the City during the year resulted in its inability to perform the required steps necessary to produce the schedules necessary for the single audit and to complete the financial statement audit on time.

Effect

Failure to comply with Uniform Guidance 2 CFR could result in additional scrutiny of reimbursable expenditures by federal awarding agencies and could possibly jeopardize continued participation in those programs. In addition, the City is not in compliance with Virginia requirements to submit its audited financial statements by November 30.

Recommendation

We recommend that the City implement policies and procedures to ensure that federal grant program reports and the required financial statement schedules and reconciliations are available for audit to allow sufficient time for completion of the audit process by the prescribed deadlines.

Management's Response

Management concurs with the recommendation. The City had limited staffing during the fiscal year, but the Finance Department received funding in the FY2017 budget to fully staff previously vacant positions. The Single Audit for FY2017 will begin in a much timelier manner than the previous years, which will greatly enhance the opportunity for it to be completed on time in coordination with the external auditor.

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

PART III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

2016 – 009

Federal Agency:	U.S. Department of Health and Human Services,
Federal Program:	Temporary Assistance for Needy Families (TANF)
Pass-Through Agency	Virginia Department of Social Service
Pass-Through award Number:	none
CFDA Number:	93.558
Award Period:	All years
Grant Number:	None
Compliance Requirement:	Eligibility
Type of Finding:	Material Weakness, material non-compliance
Prior Year Finding:	Yes, 2015-018

Criteria:

Internal controls: 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: Any family that includes an adult or minor child head of household or a spouse of the head of household who has received assistance under any State program funded by Federal TANF funds for 60 months (whether or not consecutive) is ineligible for additional federally funded TANF assistance.

Only a financially needy family that consists of, at a minimum, a minor child living with a parent or other caretaker relative, or a pregnant woman may receive TANF “assistance” or most maintenance-of-effort (MOE)-funded benefits, services, or “assistance” regardless of the TANF purpose that the expenditure is reasonably calculated to accomplish (see III.A.3.a, “Activities Allowed or Unallowed – Federal Only, Commingled Federal/State, Segregated State, Separate State Program”). The child must be less than 18 years old, or, if a full-time student in a secondary school (or the equivalent level of vocational or technical training), less than 19 years old.

Condition: We noted 11 out of 60 case files tested did not contain adequate documentation to determine eligibility. Four case files were missing birth certificates, 2 files did not have documentation other than the client’s application and 5 case files were not provided for testing.

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

In addition, we also identified inconsistent documentation in 12 out of the 60 case files selected for testing. We noted that some case files contain copies of social security cards, verification of school attendance and immunization records, while other case files documented compliance of these items via information reported on the client's application (verification of school attendance), case file notes (all items) or ADPT verification (social security cards).

Context: We noted 11 out of 60 case files tested did not contain adequate documentation to determine eligibility. We also identified inconsistent documentation in 12 out of the 60 case files selected for testing.

Questioned Costs: Undetermined due to the lack of documentation.

Cause: Noncompliance was due to errors that were not detected during the review process.

Effect: The City may be unable to support client eligibility. Internal controls may be ineffective is procedures are not consistently performed.

Recommendation: We recommend that the City review its procedures and enhance them to as deemed necessary. The City should reiterate its procedures for documenting eligibility and maintenance of case files to ensure consistent application of procedures.

Views of responsible officials: see Corrective Action Plan

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

2016 – 010

Federal Agency:	U.S. Department of Health and Human Services,
Federal Program:	Temporary Assistance for Needy Families (TANF)
Pass-Through Agency	Virginia Department of Social Service
Pass-Through award Number:	none
CFDA Number:	93.558
Award Period:	All years
Grant Number:	None
Compliance Requirement:	Special Test – Non Cooperation to Work (View Purchase)
Type of Finding:	Material Weakness, material non-compliance
Prior Year Finding:	Yes, Finding #2015-APA 01

Criteria:

Internal controls: 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: State agency must reduce or terminate the assistance payable to the family if an individual in a family receiving assistance refuses to work, subject to any good cause or other exemptions established by the State.

Condition: We noted 18 out of 60 case files tested did not contain adequate documentation to determine the client's cooperation with the work program. The missing documentation consisted of numerous forms established by the City to document compliance.

Context: We noted 18 out of 60 case files tested did not contain adequate documentation to determine the client's cooperation with the work program.

Questioned Costs: Undetermined due to the lack of documentation.

Cause: Noncompliance was due to errors that were not detected during the review process.

Effect: The City may not respond to non-compliance in a timely manner as well as report incorrect work statistics to the State.

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

Recommendation: We recommend that the City review its procedures and enhance them as deemed necessary. The City should reiterate its procedures for documenting client's cooperation with the work program.

Views of responsible officials: see Corrective Action Plan

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

2016 – 011

Federal Agency:	U.S. Department of Housing and Urban Development,
Federal Program:	Community Development Block Grant (CDBG)
Pass-Through Agency	None
Pass-Through award Number:	None
CFDA Number:	14.218
Award Period:	2014
Grant Number:	B14 MC 51 0019
Compliance Requirement:	Allowable Cost and Activities – Non Payroll
Type of Finding:	Significant deficiency
Prior Year Finding:	Yes, Repeat Finding #2015-011

Criteria:

Internal controls: 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.

Condition: We noted that invoices were processed without designated approver signature.

Context: 24 out of 40 invoices selected for testing.

Questioned Costs: None noted; the costs were allowable to the program.

Cause: The missing approval was due to an administrative error.

Effect: The City may charge unallowed costs to the program.

Recommendation: We recommend that the City review and reiterate procedures for approval and processing vendor invoices.

Views of responsible officials: see Corrective Action Plan

CITY OF RICHMOND, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

2016 – 012

Federal Agency:	U.S. Department of Housing and Urban Development,
Federal Program:	Community Development Block Grant (CDBG)
Pass-Through Agency	None
Pass-Through award Number:	None
CFDA Number:	14.218
Award Period:	2014
Grant Number:	B14 MC 51 0019
Compliance Requirement:	Allowable Cost and Activities - Loans
Type of Finding:	Significant deficiency, non-compliance
Prior Year Finding:	No

Criteria:

Internal controls: 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: (a) Activities benefiting low- and moderate-income persons. Activities meeting the criteria in paragraph (a) (1), (2), (3), or (4) of this section as applicable, will be considered to benefit low and moderate income persons unless there is substantial evidence to the contrary. In assessing any such evidence, the full range of direct effects of the assisted activity will be considered. (The recipient shall appropriately ensure that activities that meet these criteria do not benefit moderate income persons to the exclusion of low income persons. (b) Area benefit activities. (i) An activity, the benefits of which are available to all the residents in a particular area, where at least 51 percent of the residents are low and moderate income persons. Such an area need not be coterminous with census tracts or other officially recognized boundaries but must be the entire area served by the activity. An activity that serves an area that is not primarily residential in character shall not qualify under this criterion.

Condition: We noted that the eligibility and public benefit requirements for borrowers was incorrectly reported for two loans. One loan agreement did not identify the job creation requirement while another loan agreement identified the 51% low to moderate requirement when the requirement was not applicable.

Context: 2 out of 4 loans selected for testing.

Questioned Costs: Undetermined

Cause: The incorrect information was due to an administrative error.

CITY OF RICHMOND, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

Effect: The loan agreements are not in compliance with the program requirements.

Recommendation: We recommend that the City review procedures related to the loan agreement process to ensure the agreements are in accordance with the program requirements.

Views of responsible officials: see Corrective Action Plan

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

2016 – 013

Federal Agency:	U.S. Department of Housing and Urban Development,
Federal Program:	Community Development Block Grant (CDBG)
Pass-Through Agency	None
Pass-Through award Number:	None
CFDA Number:	14.218- NPS3
Award Period:	2011
Grant Number:	B-11-MN-51-0001
Compliance Requirement:	Period of Availability
Type of Finding:	Material Weakness, material non-compliance
Prior Year Finding:	No

Criteria:

Internal controls: 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: NSP3 grantees are required to expend an amount equal to or greater than 50 percent of their initial allocation of NSP3 funds within 2 years of receipt of those funds and 100 percent of their initial allocation of NSP3 funds within 3 years of receipt of those funds.

Condition: We noted that CDBG-NSP3 grant was not spent in accordance with the grantor's period of availability requirements.

Context: One grant was applicable to the period of availability requirement.

Questioned Costs: Undetermined.

Cause: The program was not contacted by the grantor when the costs were not in agreement with the grant and assumed the grantor was allowing the grant to be extended.

Effect: The City is not in compliance with the grantor's requirements.

Recommendation: We recommend that the City review its procedures over identifying the program's period of availability and monitoring the spending of the funds to ensure compliance.

Views of responsible officials: see Corrective Action Plan

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

2016 – 014

Federal Agency:	U.S. Department of Housing and Urban Development,
Federal Program:	Community Development Block Grant (CDBG)
Pass-Through Agency	None
Pass-Through award Number:	None
CFDA Number:	14.218- NPS3
Award Period:	2011
Grant Number:	B-11-MN-51-0001
Compliance Requirement:	Reporting – PR03 report
Type of Finding:	Significant deficiency, non-compliance
Prior Year Finding:	Yes, Repeat Finding #2015-010

Criteria:

Internal controls: 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: Integrated Disbursement and Information System (IDIS) (OMB No. 2506-0077) – Grantees may include reports generated by IDIS as part of their annual performance and evaluation report that must be submitted for the CDBG Entitlement Program 90 day. Information reported on the system generated report should be supported with adequate documentation.

Condition: The administration expenditure of \$91,407.47 reported on the PR03 report was not supported by adequate documentation.

Context: The grant is an annual reporting requirement.

Questioned Costs: Undetermined,

Cause: The noncompliance was due to an error.

Effect: The City is not in compliance with the grantor's reporting requirements.

Recommendation: We recommend that the City review its procedures over review of the compilation and review of the report to ensure accurate information is reported to the grantor.

Views of responsible officials: see Corrective Action Plan

CITY OF RICHMOND, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

SECTION IV - FINDINGS AND QUESTIONED COSTS RELATED TO COMPLIANCE WITH COMMONWEALTH OF VIRGINIA LAWS, REGULATIONS, CONTRACTS, AND GRANTS

2016-APA 01 Virginia Initiative for Employment not Welfare ("VIEW") Payments
Prior Year Finding 2015-APA 01

Condition:

We noted 18 out of 60 case files tested did not contain adequate documentation to determine the client's cooperation with the work program. The missing documentation consisted of numerous forms established by the City to document compliance and allowability of costs.

2016-APA 02 Department of Social Services Computer System Access
Prior Year finding 2014-014, 2015-APA 06

Condition:

Two out of two employees sampled did not have their system access removed within three days of their separation date as mandated by policy.

2016-APA 03 Business Continuity Plan
Prior year finding 2015-APA 05

Condition:

The Business Continuity Plan for the City was not documented.

2016-APA 04 Annual Financial Report Filing with the Auditor of Public Accounts
Prior Year finding 2015-APA-06

Condition:

The City did not submit the required reports by the required due date.

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2016**

2015-001 Accounting and Financial Reporting for Capital Assets – Material Weakness

Condition:

The City received a qualified opinion on its governmental activities opinion unit in its fiscal year 2014 independent auditors' report on its June 30, 2014, audited financial statements. The opinion was qualified as management was unable to determine the total amount of governmental activities' capital assets, including construction in progress. During fiscal year 2015, management implemented a corrective action plan to analyze each individual construction project with a balance during fiscal year 2014. This action plan included reviewing all documentation supporting each project and determining whether the recorded project balance was fairly presented. As a result of implementing the corrective action plan, the City recorded a restatement of \$18,472,680 to correct the previously recorded governmental activities' capital assets balances.

Current Status: Partial

Planned Corrective Action Plan: The City was able to have the qualification mentioned above removed from the June 30, 2015, audited financial statements. Significant progress has been made in terms of recording capital assets, including construction in progress, in a timelier manner. New policies and procedures are being developed, and an outside consultant has been engaged to better utilize the general ledger (projects and grants module) for recording capital assets.

Current year auditor status: Unresolved, repeat finding 2016-001

2015-002 Timeliness of Monthly and Annual Financial Reporting Process - Material Weakness

Condition:

The preparation of the Comprehensive Annual Financial Report (CAFR) is a complex process requiring the coordination and cooperation of numerous personnel, including those from various component units. For the June 30, 2015, CAFR, the City provided multiple drafts of the CAFR during the course of the audit.

Through the execution of our audit testing, we determined that there were numerous routine monthly reconciliations that were not prepared timely. Certain reconciliations were not completed until after the end of the fiscal year as part of the annual financial reporting closing process conducted to prepare the CAFR. Examples of such routine monthly reconciliations which were not prepared timely include:

- Monthly cash account reconciliations
- Monthly investment account reconciliations
- Quarterly state disbursements report reconciliation
- Monthly real property tax receivable reconciliation
- Monthly personal property tax receivable reconciliation
- Monthly accounts payable/accrued liabilities reconciliation
- Monthly accrued wages reconciliation

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)
JUNE 30, 2016**

Current Status: Partial

Planned Corrective Action Plan: Significant progress was made for the June 30, 2016, CAFR in terms of monthly and annual financial reporting, with the addition of several full-time staff in the general accounting area. Through more timely reconciliations, the City hopes to remove this finding for the June 30, 2017, CAFR.

Current year auditor status: Unresolved, repeat finding 2016-003

2015-003 Processing of Routine Transactions – Material Weakness

Condition:

We determined that there were several significant accounting processes where routine transactions were not recorded timely. Examples are as follows:

- The City maintains several parking facilities throughout the City and receives funds daily from each location for the fees paid by parkers. We observed that sometimes these parking revenues were recorded daily, while at other times two or more days' worth of transactions were recorded in batches. We further observed that the inconsistent recordation of parking revenues made it more difficult to reconcile parking receipts to cash and credit deposits made to the City's financial institutions.
- When tying the audited FY2014 CAFR balances to the opening balances in the FY2015 CAFR and trial balance, we noted several material variances. After inquiring, we determined that while the City did record FY2014 recommended audit adjustments to the final FY2014 CAFR, the City failed to record these audit adjustments to the general ledger.
- The City uses suspense accounts in certain circumstances to "hold" transactions which require further research. However, these accounts are not reconciled timely throughout the year.
- As previously discussed in finding 2015-01, fixed asset transactions are maintained by project managers at various City departments; however, such transactions are not reconciled timely to the detailed fixed asset records maintained by the Finance Department throughout the year.

Current Status: Partial

Planned Corrective Action Plan: Significant progress was made for the June 30, 2016, CAFR in terms of monthly and annual financial reporting, with the addition of several full-time staff in the general accounting area. Through improved processes, the City hopes to remove this finding for the June 30, 2017, CAFR.

Current year auditor status: Unresolved, repeat finding 2016-002

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)
JUNE 30, 2016**

2015-004 Accounting for Non-Routine Transactions – Material Weakness

Condition:

We determined that there were several significant non-routine transactions were not recorded properly or timely. Examples are as follows:

- The City maintains several parking facilities throughout the City and receives funds daily from each location for the fees paid by parkers. The City identified that these activities should be recorded in a separate enterprise fund; however, that fund was not established until well after the end of the fiscal year. Further, the City was initially unable to record completely the presentation and disclosure of the new fund in its draft CAFR.
- During fiscal year 2015, the City purchased from the Richmond Metropolitan Transit Authority the Diamond baseball stadium and associated land for \$10. The City failed to account for this transaction properly as it recorded the assets at the purchase price rather than at fair value as of the date of the transaction.
- The City refunded debt during the year as it was economically advantageous to do so. However, the City did not identify all of the proper disclosures that are associated with such a bond refunding in its draft CAFR.
- The City did not calculate capitalized interest on its construction work in progress during fiscal year 2015.

Current Status: Corrected

Planned Corrective Action Plan: N/A

Current year auditor status: Resolved

2015-005 Misapplication of GAAP- Significant Deficiency

Condition:

As a result of various adjustments, it was noted that the City was not properly following certain generally accepted accounting principles. These matters are noted as follows:

- Generally accepted accounting principles define liabilities as present obligations to sacrifice resources that the government has little or no discretion to avoid. Retainage payable represents a liability attributable to the acquisition, construction, or improvement of capital assets (in this case, construction in progress). During the course of the audit, it was noted that retainage payable was not being recorded. We recommend that the City recognize retainage payable on a prospective basis and include in its policies procedures to calculate retainage payable.

CITY OF RICHMOND, VIRGINIA
SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)
JUNE 30, 2016

- GASB Statement No. 33, as amended, establishes accounting and financial reporting standards for non-exchange transactions. It identifies four classes of non-exchange transactions based on shared characteristics that affect the timing of recognition. One of the four classes of non-exchange transactions is government-mandated non-exchange transactions. Governments should recognize a receivable and revenue in connection with government-mandated non-exchange transactions often in the form of expenditure-driven grants when qualifying expenditures have been incurred. In governmental funds, revenue recognition must be deferred until amounts are available. It was noted for the City's Highway Planning and Construction grant, the City did not appropriately account for the grant activity when the qualifying expenditures of approximately \$4,700,000 were incurred during the fiscal year.
- The City has accounted for its Other Post Employment Benefit (OPEB) obligation as a long term liability at the government wide-government type activities level. However, the City did not record the government wide – business type activities and proprietary funds allocable portion of the OPEB obligation.

Current Status: Partial

Planned Corrective Action Plan: Significant progress was made for the June 30, 2016, CAFR in terms of monthly and annual financial reporting, with the addition of several full-time staff in the general accounting area. Through improved processes, the City hopes to remove this finding for the June 30, 2017, CAFR.

Current year auditor status: Unresolved, repeat finding 2016-004 and 2016-005

2015-006 Segregation of Duties - Journal Entry Recording – Significant Deficiency

Condition:

It was noted that certain individuals within the accounting function with Super User status had the ability to prepare and post journal entries without a secondary approval which was not consistent with established policies.

Current Status: Partial

Planned Corrective Action Plan: The noted incidences of these entries without secondary approval were minimal for the June 30, 2016, CAFR, with the addition of several full-time staff in the general accounting area. Through the improved CAFR processes and staffing levels, the City hopes to remove this finding for the June 30, 2017, CAFR.

Current year auditor status: Unresolved, current year finding 2016-006

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)
JUNE 30, 2016**

2015-007 Information Technology Controls – Significant Deficiency

Condition:

We determined that there were several areas where there are significant deficiencies in information technology controls. Examples are as follows:

- Security Administration Segregation of Duties - The City's Department of Information Technology (DIT) is unable to identify the functions associated with user responsibilities and their conflicting duties, and therefore is unable to adequately assess the appropriateness of security administrative access and the segregation of conflicting duties relevant to security administration, or the appropriateness of the activities performed by users with security administrative access.
- New User Segregation of Duties - The City's DIT is unable to identify functions associated with user responsibilities and their conflicting duties, and therefore is unable to adequately assess the appropriateness of access granted to new users and the segregation of conflicting duties.
- Transferred User Segregation of Duties - The City's DIT is unable to identify the functions associated with user responsibilities and their conflicting duties, and therefore is unable to adequately assess the appropriateness of access modifications for transferred users and the segregation of conflicting duties.
- Removal of Terminated User Access - The City does not remove access of terminated employees in a timely manner. We noted that 58 individuals terminated from the City retained inappropriate access to Oracle after termination.
- User Access Rights Review - The City does not perform a comprehensive review of user access rights to ensure the appropriateness of user access. Rather, it is the responsibility of each individual City agency to request an ad hoc review of user access.
- Program Management Segregation of Duties - Individuals within DIT also perform financial user duties. We noted that three individuals residing within DIT with systems developer or systems developer lead duties also perform multiple financial user duties.
- Application Authentication - The City has not documented a password management policy and related minimum system security requirements (i.e. password complexity, password expiration, user inactivity lockout, etc.). Based upon inspection of the RAPIDs password configuration settings, we determined that password complexity settings are not enforced.

Current Status: Partial

Planned Corrective Action Plan: Significant progress has been made in terms of better defining information technology controls. Newly defined roles are being developed, and an outside consultant has been engaged to better apply segregation of duties through testing.

Current year auditor status: Unresolved, current year finding 2016-007

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)
JUNE 30, 2016**

2015-008 Failure to Comply with the Single Audit Act – Material Weakness and Material Noncompliance

Condition:

The City of Richmond is required to obtain a “Single Audit” of its expenditures of federal awards as it expended greater than \$500,000 in federal awards each fiscal year. As of October 31, 2016, the City had not yet issued its required Single Audit.

Current Status: Not Corrected

Planned Corrective Action Plan: The City of Richmond again had not issued its required Single Audit by the deadline, as the engagement for the Single Audit of federal expenditures for the period ending June 30, 2016, did not begin in a timely manner. The City expects to remove this finding for the period ending June 30, 2017.

Current year auditor status: Unresolved, current year finding 2016-008

2015-009 Activities Allowed or Un-allowed, Allowable Costs/Cost Principles, Period of Performance, Special Tests and Provisions-Payment Rate Setting and Application

Program Title:	CFDA Number:
SNAP Cluster	10.561
TANF Cluster	93.558
Child Care and Development Fund Cluster	93.575, 93.596
Foster Care Title IV-E	93.658
Adoption Assistance Title - IV E	93.659
Medicaid Cluster	93.778

Condition:

Richmond’s Department of Social Services (DSS) was unable to reconcile the individual DSS programs reported on the Schedule of Expenditures of Federal Awards to a general ledger detail by program. The reconciliation process communicated by DSS was not functioning properly.

Current Status: Partial

Planned Corrective Action Plan: The Department of Social Services is engaging with an outside vendor to re-deploy in FY2017. A Finance Policies and Procedures manual is being drafted that will document the process.

Current year auditor status: No exception noted during testing

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)
JUNE 30, 2016**

2015-010 Activities Allowed or Un-allowed and Allowable Costs/Cost Principles

Program Title: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218

Condition:

This program uses Payroll Action Forms (PAF) to account for the percentage of the employees' salaries and wages that should be charged to the program. We noted that some salaries charged to the program were not supported by a PAF. Additionally, we noted timesheets or periodic certifications were not prepared to adjust the employees' salaries or wages to those actually incurred for the program.

Current Status: Partial

Planned Corrective Action Plan: To track actual costs with monthly time sheets for each employee, timesheets have been created and used as tracking mechanisms which will require a signed approval by the Program Managers to support and document the percentage of time associated and allocated to each program.

Current year auditor status: Unresolved, current year finding 2016-014

2015-011 Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Program Title: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218, repeat finding 2016-011

Condition:

The City of Richmond did not document approval for some expenditures and could not provide documentation for one expenditure.

Current Status: Partial

Planned Corrective Action Plan: The City has taken steps to ensure that all invoices have the appropriate approval signature prior to processing for payment. Although this is listed as a repeat Finding, due to the timing of the Audits there was a period of overlap which covered FY 15 and FY16. Corrective actions have been instituted.

Current year auditor status: Unresolved, current year finding 2016-011

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)
JUNE 30, 2016**

2015-012 Special Tests and Provisions - Wage Rate Requirements

Program Title: Community Development Block Grants/ Entitlement Grants
CFDA Number: 14.218

Condition:

The City does not keep a comprehensive list of contractors and subcontractors used for all projects with Davis Bacon Act requirements. Therefore, a complete population of all contractors and subcontractors subjected to the Davis Bacon Act requirements was not available in order to verify if the City was in compliance with the requirements and had the appropriate controls in place to ensure compliance.

Current Status: Partial

Planned Corrective Action Plan: The Department of Economic and Community Development is developing and adapting relevant internal controls to provide reasonable assurance to comprise the plans, policies, methods and procedures used to meet the organization's mission, goals and objectives.

Current year auditor status: No exceptions noted during testing

2015-013 Special Tests and Provisions - Wage Rate Requirements

Program Title: Highway Planning and Construction (Federal Aid-Highway Program)
CFDA Number: 20.205

Condition:

The City did not properly manage the oversight and receipt of certified payrolls from contractors and subcontractors.

Current Status: Partial

Planned Corrective Action Plan: The Office of Minority Business Development and the Department of Public Works will take the recommendation and work together to create a process that will be implemented by January 2018. The process will included steps related to follow-up.

Current year auditor status: No exceptions noted during testing

CITY OF RICHMOND, VIRGINIA
SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)
JUNE 30, 2016

2015-014 Activities Allowed or Un-allowed/Allowable Costs and Cost Principles
Program Title: Highway Planning and Construction (Federal Aid-Highway Program)
CFDA Number: 20.205

Condition:

Instances were noted where the City did not provide supporting documentation for expenses charged to the grant. Additionally, there were noted instances where there was no evidence of approval for payment.

Current Status: Corrected

Current year auditor status: Resolved

2015-015 Cash Management
Program Title: Highway Planning and Construction (Federal Aid-Highway Program)
CFDA Number: 20.205

Condition:

Requests for reimbursement are not reviewed or approved prior to being submitted to the grantor agency.

Current Status: Corrected

Current year auditor status: Resolved

2015-016 Special Tests and Provisions - Wage Rate Requirements
Program Title: Capitalization Grants for Clean Water State Revolving Funds
CFDA Number: 66.458

Condition:

The City did not properly manage the oversight and receipt of certified payrolls from contractors and subcontractors.

Current Status: Corrected

Current year auditor status: Resolved

2015-017 Cash Management
Program Title: Capitalization Grants for Clean Water State Revolving Funds
CFDA Number: 66.458

Condition:

The City did not make payment on project costs that had not yet been paid within five banking days following receipt of reimbursement.

Current Status: Corrected

Current year auditor status: Resolved

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)
JUNE 30, 2016**

2015-018

Eligibility

Program Title: Temporary Assistance for Needy Families (TANF)
CFDA Number: 93.558

Condition:

The City did not comply with the program's eligibility requirements.

Current Status: Partial

Planned Corrective Action Plan: see corrective action plan for finding 2016-009.

Current year auditor status: Unresolved, current year finding 2016-009

2015-019

Eligibility

Program Title: Adoption Assistance Title IV-E
CFDA Number: 93.659

Condition:

The City of Richmond's Department of Social Services (RDSS) was not able to provide adequate supporting documentation to determine eligibility for the selected participants.

Current Status: Partial

Planned Corrective Action Plan: The agency is reviewing and updating records management practices and archiving to ensure proper document storage and retrieval. The agency's practices have changed significantly over the years and the case workers now obtain copies of court orders at the conclusion of the hearing. The agency utilizes more stringent supervisory review to ensure eligibility for Title IV-E is appropriate.

Current year auditor status: No exceptions noted during testing

2015-020

Eligibility

Program Title: Medical Assistance Program
CFDA Number: 93.778

Condition:

The City did not comply with the program's eligibility requirements.

Current Status: Partial

Planned Corrective Action Plan: The Department of Social Services has implemented a more enhanced supervision practice. This documentation is now required to be maintained in the VaCMS electronic case management system.

Current year auditor status: No exceptions noted during testing

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)
JUNE 30, 2016**

SECTION IV - FINDINGS AND QUESTIONED COSTS RELATED TO COMPLIANCE WITH COMMONWEALTH OF VIRGINIA LAWS, REGULATIONS, CONTRACTS, AND GRANTS

2015-APA 01: Virginia Initiative for Employment not Welfare ("VIEW") Payments

Condition:

For seven of thirty sampled transactions, the case files for the respective individuals did not contain the proper support for the payments made under the VIEW program. The following exceptions were noted:

- Four of the seven files could not be located by the Department of Social Services ("DSS").
- Two of the seven files did not contain the required eligibility determination for the participant.
- One of the seven files did not contain invoice support for the selected expenditure.

Current Status: Partial

Planned Corrective Action Plan: The Department of Social Services will review the policy regarding how files are stored and cataloged off-site to ensure prompt retrieval. The agency will reiterate the policy requirements with supervisors and expectations for review when the staffing cases with employees. Supervisors will monitor cases for compliance.

Current year auditor status: Unresolved, reported as 2016-010

2015-APA 02 Department of Social Services Supplemental Support Services Reimbursements

Condition:

DSS was properly depositing funds into the segregated accounts; however, there were no monthly withdrawals made from these accounts to reimburse the treasurer of the City as required.

Current Status: Corrected

Current year auditor status: Resolved

2015-APA 03 Virginia Department of Social Services ("VDSS") LASER Reporting for SNAPET

Condition:

Two of twenty-nine items sampled were recorded in the wrong LASER code.

Current Status: Partial

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)
JUNE 30, 2016**

Planned Corrective Action Plan: The Department of Social Services will conduct period audits to ensure the appropriate Harmony service codes are assigned to transaction with the vendor and provide refresher training for staff.

Current year auditor status: no exceptions noted during testing

2015-APA 04 Department of Social Services LASER Reconciliation (repeat of finding 2014-015)

Condition:

The City did not perform the required reconciliations.

Current Status: Partial

Planned Corrective Action Plan: In FY2017, Department of Social Services staff met with the City of Richmond's Finance Department to discuss the DSS reconciliation process, as documented in the DSS internal policies and procedures. A draft of the agency's policies and procedures will be finalized no later than June 30, 2017.

Current year auditor status: no exceptions noted during testing

2015-APA 05 Department of Social Services Computer System Access

Condition:

DSS was unable to provide properly authorized access forms for the following system access applications:

- ADAPT – nine of sixteen items sampled
- OASIS – one of nine items sampled
- VaCMS – nine of thirteen items sampled
- SPIIDeR – six of seventeen items sampled
- No Access – one of five items sampled

Current Status: Partial

Current year auditor status: Unresolved, repeated as 2016-APA-02

2015-APA 06 Department of Social Services Computer System Access (repeat of finding 2014-014)

Condition:

Ten of thirty terminated employees sampled did not have their system access removed within three days of their separation date as mandated by policy.

Current Status: Partial

Current year auditor status: Unresolved, repeated as 2016-APA-03

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)
JUNE 30, 2016**

2015-APA 07 Department of Social Services Computer Training

Condition:

One of thirteen employees sampled with access to the computer system did not complete the required annual training.

Current Status: Corrected

Current year auditor status: Resolved

2015-APA 08 Conflict of Interest (repeat of finding 2014-016)

Condition:

Five of eighteen City officials sampled filed their semi-annual statement of economic interest after the December 15 deadline, and one City official of eighteen sampled filed their semi-annual statement of economic interest after the June 15 deadline.

Current Status: Partial

Planned Corrective Action Plan: The City Clerk's Office has a procedure in place where all of the required City officials are made aware of the filing due date for the statements of economic interests. A reminder is sent to each official that has not responded by at least three days prior to the deadline.

Current year auditor status: No exceptions noted during testing

2015-APA 09 Property Tax Exonerations

Condition:

One selected tax exoneration of sixty sampled was not entered into the MUNIS system when it was approved.

Current Status: Corrected

Current year auditor status: Resolved

2015-APA 10 Business Continuity Plan

Condition:

The Business Continuity Plan that the City has documented is five years old.

Current Status: Corrected

Current year auditor status: Unresolved, current year finding 2016-APA 03

**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)
JUNE 30, 2016**

2015-APA 11 Virginia Retirement and ICMA Contributions

Condition:

The City did not remit the required contributions for both VRS and ICMA-RC for the two months sampled before the required due date.

Current Status: Corrected

Current year auditor status: Resolved

2015-APA 12 Annual Financial Report Filing with the Auditor of Public Accounts

Condition:

The City did not submit the required reports by the required due date.

Current Status: Not Corrected

Planned Corrective Action Plan: The City was unable to submit the FY2016 audited financial report to the APA by the deadline, as the new external auditor wasn't engaged to begin the FY2016 audit until November 2016. The City anticipates meeting this deadline for FY2017 purposes, and moving forward.

Current year auditor status: Unresolved, current year finding 2016-004

CORRECTIVE ACTION PLANS



CITY OF RICHMOND

DEPARTMENT OF SOCIAL SERVICES

**CITY OF RICHMOND, VIRGINIA
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2016**

The City of Virginia respectfully submits the following corrective action plan for the year ended June 30, 2016.

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

2016 – 009

Federal Agency: U.S. Department of Health and Human Services,
Federal Program: Temporary Assistance for Needy Families (TANF)
Pass-Through Agency Virginia Department of Social Service
Pass-Through award Number: none
CFDA Number: 93.558
Award Period: All years
Compliance Requirement: Eligibility
Type of Finding: Material Weakness, material non-compliance
Prior Year Finding: Yes, 2015-018

Action taken in response to finding:

- Richmond Department of Social Services TANF Program is now electronically housed in the new system of record, the Virginia Case Management System (VaCMS). All requests are required to be submitted electronically. This will alleviate the need for a paper document to be housed in the case file.
- The Virginia Department of Social Services has implemented a policy requiring that all documentation be scanned into (VaCMS) to support all case actions taken. Paper applications, verifications and all supporting documents authorizing the approval of cases, notices and communications are also housed in the document section of the system. This will reduce the opportunity for missing documentation that support case actions.
- Records Management has implemented a new policy which will govern how files are housed and new control mechanisms in place for monitoring of case files.

Name(s) of the contact person(s) responsible for corrective action: Beverly Smith, Operations Manager

Planned completion date for corrective action plan: Continuously

If any questions arise regarding this plan, please call: Beverly Smith, Operations Manager



CITY OF RICHMOND

DEPARTMENT OF SOCIAL SERVICES

**CITY OF RICHMOND, VIRGINIA
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2016**

The City of Virginia respectfully submits the following corrective action plan for the year ended June 30, 2016.

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

2016 – 010

Federal Agency: U.S. Department of Health and Human Services,

Federal Program: Temporary Assistance for Needy Families (TANF)

Pass-Through Agency Virginia Department of Social Service

Pass-Through award Number: none

CFDA Number: 93.558

Award Period: All years

Compliance Requirement: Special Test – Non Cooperation to Work (View Purchase)

Type of Finding: Material Weakness, material non-compliance

Prior Year Finding: Yes, Finding #2015-APA01

Action taken in response to finding: Richmond Social Services Economic Independence and Support Division implemented a process where all VIEW Supervisors will review each expenditure by reading the harmony system to make sure all cases entered have documentation to support the payment being issued. Supervisors will be held accountable for these actions.

Name(s) of the contact person(s) responsible for corrective action: Beverly Smith, Operations Manager

Planned completion date for corrective action plan: Forms and missing verifications for prior years cannot be recreated, as clients and vendors may not be active. Supervisors will begin reviewing the harmony system to ensure there is appropriate documentation for expenditures effective October 1, 2017.

If any questions arise regarding this plan, please call: Beverly Smith, Operations Manager at 804-646-1222



CITY OF RICHMOND

ECONOMIC & COMMUNITY
DEVELOPMENT

**CITY OF RICHMOND, VIRGINIA
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2016**

The City of Virginia respectfully submits the following corrective action plan for the year ended June 30, 2016.

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

2016-011 Allowable Costs and Activities - Non Payroll

Action taken in response to finding: The City has taken steps to ensure that all invoices have the appropriate approval signature prior to processing for payment. Although this is listed as a repeat Finding, due to the timing of the Audits there was a period of overlap which covered FY 15 and FY 16. Corrective actions have been instituted

Name(s) of the contact person(s) responsible for corrective action: The Director or his/her Designee (at the time of Audit, Douglas Dunlap, Interim Director)

Planned completion date for corrective action plan: The corrective action was instituted in February 2017.

If there are any questions regarding this plan, please call Denise Lawus at 804-646-3975.

2016-012 Allowable Costs and Activities - Loans

Action taken in response to finding: The City first responded to this issue on March 7, 2017 directly to the Auditor. The Fundability/Eligibility Form for both loans have been corrected with the appropriate Broad National Objectives (BNO) citation. Staff has received additional training on BNO determination.

Name(s) of the contact person(s) responsible for corrective action: Denise Lawus, Deputy Director II

Planned completion date for corrective action plan: The corrective action was taken in March 2017.

If there are any questions regarding this plan, please call Denise Lawus at 804-646-3975.

2016-013

Material Weakness, material non-compliance

Action taken in response to finding: The City did not and has not received a finding from HUD on the NSP3 Program. The City was/is working closely with HUD and has been provided with HUD technical assistance to close out this program. All of the drawdown requirements have been met. Please note: extensions are often granted on Programs particularly when HUD sees progress leading to completion.

Name(s) of the contact person(s) responsible for corrective action: Denise Lawus, Deputy Director II

Planned completion date for corrective action plan: All of the funds have been drawn down.

If there are any questions regarding this plan, please call Denise Lawus at 804-646-3975.

2016-014

Significant Deficiency, non-compliance

Action taken in response to finding: The City cannot draw down funds in the IDIS system without adequate documentation. The PR03 report matched the information in the CAPER report. Some confusion was created by changes in the IDIS System and certain information (prior to a particular date in time) could not be ascertained. The City requested the local HUD CPD Representation run the report. That report was submitted. The City did not receive a finding from HUD on this issue and believes that we are in compliance. The City continues to work closely with the HUD Financial Analyst to ensure compliance.

Name(s) of the contact person(s) responsible for corrective action: Denise Lawus, Deputy Director II

Planned completion date for corrective action plan: Any and all actions required have been undertaken in FY 17.

If there are any questions regarding this plan, please call Denise Lawus at 804-646-3975.