

**CITY OF RICHMOND**  
**SINGLE AUDIT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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**SINGLE AUDIT REPORT**  
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## SUMMARY OF AUDIT RESULTS

Honorable Mayor and Members of the  
City Council of the City of Richmond, California

We are required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*, to present an overview of the Single Audit which is described below.

### ***Audit of Basic Financial Statements***

We have audited the basic financial statements of the City of Richmond, California, for the year ended June 30, 2005 and have issued our unqualified report thereon dated March 9, 2006. In our report we state we did not audit the component unit financial statements of the Richmond Housing Authority, which represent 16% and 19% of the assets and revenues of the reporting entity and 22% and 13% of capital assets and long-term obligations, respectively. These component unit financial statements were audited by other auditors, whose report thereon has been furnished to us. Our opinion, insofar as it relates to the amounts included for this entity, is based solely on the report of these other auditors. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United States and the Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non profit Organizations*. We performed a Single Audit as requested by the City to comply with the provisions of the Single Audit Act as amended in 1996 and OMB A-133.

Our audit disclosed reportable conditions, none of which were deemed to be material weaknesses or instances of noncompliance material to the basic financial statements which we communicated to City Council in our separate Memorandum on Internal Controls dated March 9, 2006

### ***Audit of Major Programs***

Our audit disclosed reportable conditions, none of which were deemed to be material weaknesses in internal controls over major programs. We have issued a qualified opinion on compliance with the requirements applicable to major programs.

The City's financial statements include the component units of the Richmond Housing Authority and RHA Properties, which expended more than \$500,000 in Federal awards. Richmond Housing Authority and RHA Properties have separate A-133 audits by other auditors and have therefore been excluded from our report.

## SUMMARY OF AUDIT RESULTS (Continued)

### *Identification of Major Programs*

The following Programs were determined to be major programs:

- Department of Transportation Highway Planning and Construction (CFDA #20.205)
- Department of Housing and Urban Development Community Development Block Grants/Entitlement Grants (CFDA #14.218)
- Department of Labor, WIA Adult, WIA Youth Activities and WIA Nurses Workforce Initiative cluster (CFDA #17.258, 17.259 and 17.260)
- Department of Labor H-1B Visa Program (CFDA #17.261)

### *Dollar Threshold Used to Distinguish Between Type A and Type B Programs*

The threshold for Type A programs was \$300,000.

### *Organizational Risk Evaluation*

The City was assessed as a high risk auditee based on prior years reporting results, our overall knowledge of the City and other criteria specified by the Office of Management and Budget.

## FINDINGS RELATED TO FINANCIAL STATEMENTS

There were no findings required to be reported under Generally Accepted Government Auditing Standards. However, we did communicate other matters to the City Council in our separate Memorandum on Internal Controls dated March 9, 2006.

## FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Our audit disclosed the findings described on the Schedule of Current Year Findings and Questioned Costs.

## SUMMARY OF PRIOR YEARS FINDINGS

Included in this report is the current status of prior year findings prepared by management.

*Maze & Associates*

March 9, 2006

City of Richmond  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2005

Federal Department/ Program Name	Grantor/ Pass-Through Entity Grant Number	Catalog of Federal Domestic Assistance Number	Program Expenditures
U. S. Department of Housing & Urban Development			
Community Development Block Grant	MC-06-0015	14.218	\$2,097,418
Home Program	M-04-MC-060209	14.239	122,536
Youth Build	Y-02-IM-CA-0095	14.243	<u>157,671</u>
Total U.S. Department of Housing and Urban Development			<u>2,377,625</u>
U. S. Department of Labor			
H-1B Visa Program		17.261	777,355
Workforce Investment Act - Adult (Passed through the State of California)	R588742	17.258	332,989
Workforce Investment Act - Youth (Passed through the State of California)	R588742	17.259	442,417
Workforce Investment Act - Dislocated Worker (Passed through the State of California)	R588742	17.260	349,880
Workforce Investment Act - Nurses Workforce Initiative (Passed through the State of California)	R588742	17.260	396,184
Workforce Investment Act - Rapid Response (Passed through the State of California)	R588742	17.260	<u>107,763</u>
Total U.S. Department of Labor			<u>2,406,588</u>
U. S. Department of Justice			
Local Law Enforcement Block Grant		16.592	221,884
COPS in School	2002-SH-WX-0226	16.710	<u>190,000</u>
Total U.S. Department of Justice			<u>411,884</u>
U. S. Department of Education			
Community Technology Center Program	V341A030179	84.341	97,425
WIA - Literacy for Every Adult Project (Passed through the State of California)		84.002A	16,868
21st Learning Centers (Passed through the State of California)	07/2002-CCLC-003-07-51	84.287	<u>281,883</u>
Total U.S. Department of Education			<u>396,176</u>
National Endowment for the Humanities			
Global Languages Materials Grant Program (Passed through the State of California)		45.310	6,000
Reach Out & Read (Passed through the State of California)	LSTA-40-6381	45.310	<u>5,800</u>
Total National Endowment for the Humanities			<u>11,800</u>
U. S. Department of Health & Human Services			
Transitional Living	09CX5027	93.550	<u>146,169</u>
U. S. Department of Transportation			
Highway Planning and Construction - Nevin Plaza (Passed through the State of California)	CML-5137(021)	20.205	<u>490,646</u>
Total Expenditures of Federal Financial Awards			<u>\$6,240,888</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**CITY OF RICHMOND**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

***Note 1-Reporting Entity***

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the City and its component units as disclosed in the notes to the Basic Financial Statements, except for the Richmond Housing Authority and RHA Properties.

We did not audit the Richmond Housing Authority or RHA Properties, which have been audited by other auditors and are subject to separate Single Audits. Accordingly, Federal awards for the Richmond Housing Authority and RHA Properties have been excluded from the scope of this Single Audit Report.

***Note 2-Basis of Accounting***

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. All proprietary funds are accounted for using the accrual basis of accounting. Expenditures of Federal Awards reported on the Schedule are recognized when incurred.

***Note 3-Direct and Indirect (Pass-Through) Federal Awards***

Federal awards may be granted directly to the City by a federal granting agency or may be granted to other government agencies which pass-through federal awards to the City. The Schedule includes both of these types Federal award programs when they occur.

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**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**

Honorable Mayor and City Council  
City of Richmond, California

We have audited the basic financial statements of City of Richmond as of and for the year ended June 30, 2005, and have issued our report thereon dated March 9, 2006. In our report we state we did not audit the component unit financial statements of the Richmond Housing Authority, which represent 16% and 19% of the assets and revenues of the reporting entity and 22% and 13% of capital assets and long-term obligations, respectively. These component unit financial statements were audited by other auditors, whose report thereon has been furnished to us. Our opinion, insofar as it relates to the amounts included for this entity, is based solely on the report of these other auditors. We conducted our audit in accordance with generally accepted auditing standards 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.

***Internal Control over Financial Reporting***

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However we did communicate our reportable conditions to City Council in our separate Memorandum on Internal Controls dated March 9, 2006.

***Compliance and Other Matters***

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

This report is intended for the information of the City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the above parties.

*Maze & Associates*

March 9, 2006

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and City Council  
City of Richmond, California

***Compliance***

We have audited the compliance of the City of Richmond with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The City's major federal programs are identified in the summary of auditor's results section of this report. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Richmond complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005, except for those matters discussed in our Schedule of Current Year Findings and Questioned Costs.

***Internal Control over Compliance***

City management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However we did note certain reportable conditions discussed as findings in the Schedule of Current Year Findings and Questioned Costs included at the end of the Report.

### *Schedule of Expenditures of Federal Awards*

We have audited the basic financial statements of City of Richmond as of and for the year ended June 30, 2005, and have issued our report thereon dated March 9, 2006. In our report we state we did not audit the component unit financial statements of the Richmond Housing Authority, which represent 16% and 19% of the assets and revenues of the reporting entity and 22% and 13% of capital assets and long-term obligations, respectively. These component unit financial statements were audited by other auditors, whose report thereon has been furnished to us. Our opinion, insofar as it relates to the amounts included for this entity, is based solely on the report of these other auditors. Our audit was made for the purpose of forming an opinion on the basic financial statements of the City of Richmond taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended for the information of the City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the above parties.

*Mage & Associates*

March 9, 2006

**CITY OF RICHMOND**  
**SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS**

**Finding 05-01: Incomplete Program Supplement**

**Program Affected:** Department of Transportation, passed through the State of California Department of Transportation, Highway Planning and Construction Program, CFDA# 20.205.

The City was unable to locate a complete copy of the Program Supplement for the Nevin Plaza Project. The Program Supplement was missing the second page of the Special Covenants or Remarks section which includes clauses six through ten. The City obtained the missing pages from the State. In the future, the City should ensure complete documentation is maintained for future grant awards.

**Management Response:**

Additional support is being provided to Engineering Services to facilitate project management. As part of this process, file maintenance will be enhanced, including keeping separate and complete files for all program supplements. As a back-up, all program supplements will be electronically scanned.

**Finding 05-02: Missing Master Agreement**

**Program Affected:** Department of Transportation, passed through the State of California Department of Transportation, Highway Planning and Construction Program, CFDA# 20.205.

The City was unable to locate a copy of the City's Master Agreement with the State of California Department of Transportation. In the future, the City should ensure complete documentation is maintained for future grant awards.

**Management Response:**

Additional support is being provided to Engineering Services to facilitate project management. As part of this process, file maintenance will be enhanced. As a back-up, all contract agreements will be electronically scanned.

**Finding 05-03: Timeliness of Completing Construction Contract**

**Program Affected:** Department of Transportation, passed through the State of California Department of Transportation, Highway Planning and Construction Program, CFDA# 20.205.

The Program Supplement Special Covenants and Remarks Section #5, states that the Administering Agency will complete the construction contract within 36 months of the award. The construction contract was awarded on October 29, 2002 and as of March 9, 2006, construction had not been completed. The City should contact the State Department of Transportation to discuss the situation and determine what steps should be taken.

**Management Response:**

The City has applied for an extension due to weather delays. However, a written response from the grantor has not yet been received. With the addition of Project Management staff for the Engineering Division, the intent is to develop a database that includes related deadlines to assure that requests for extension are filed on a more timely basis.

**CITY OF RICHMOND**  
**SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS**

**Finding 05-04: Low-Income Eligibility Earmarking Requirement**

**Program Affected:** Department of Labor, passed through the State of California, Employment Development Department, Workforce Investment Act – Youth, CFDA# 17.259.

A minimum of 95% of eligible participants in Youth Activities must meet the criteria of disadvantaged low-income youth, as defined in 29 USC 2801(25) (20 CFR section 664.220). Only 89% of the program's eligible participants were low-income for the fiscal year ended June 30, 2005. The City should review eligible participants on an ongoing basis to ensure that they are meeting the low-income eligibility requirements.

**Management Response:**

Employment and Training Department has a three tier process for ensuring that participants enrolled in a WIA funded program are eligible to receive services. The assigned case manager makes the initial eligibility determination and secures the required documentation. Another staff reviews the file and documentation to complete the 30 day review. Lastly, our MIS unit performs the final quality control step to ensure eligibility documentation and proper coding of the forms into the Job Training Automation (JTA) system.

We will review the actual coding of all Youth enrollments for the fiscal year ending June 30, 2005 to confirm eligibility and correct coding for each participant. We anticipate the issue is not one of having a minimum of 95% eligible participants in Youth activities that meet the criteria of disadvantaged low-income youth, but rather an issue of proper coding JTA entries as disadvantaged low-income youth.

**Finding 05-05: Contribution Matching Requirement**

**Program Affected:** Department of Labor, H-1B Visa Program #1, CFDA# 17.261.

Part II – Budget Information, Section B – Cost Sharing/Match Summary of the grant agreement indicated that Cash and In-Kind Contributions of \$855,812 and \$1,468,600, respectively, were to be made. According to the agreement, a partnership known as EBRIT, was to make these contributions as part of the program effort. In the final financial status report, the City reported \$1,768,370 as the in-kind match from EBRIT. The City reported no cash contributions from EBRIT. These matching contributions were \$551,042 less than budgeted. The Department of Labor requested the City to work with EBRIT and assemble the final in-kind and cash contributions for reporting to the federal government. This has not yet been completed. We understand that the Cash Contribution was not made because pledged revenue was not received as planned. In addition, we understand that the grant is now closed. The City should contact the Department of Labor to determine the action that should be taken to rectify this situation.

**Management Response:**

The cash contributions were to be received from the James Irvine Foundation and from the State Employment Development Department (EDD) via the Tech Force Initiative. Although the pledged revenue streams were not received, all program milestones were achieved and the final match was \$1,768,370. This amount exceeded the match stated in the grant. Although the grant is closed, there is a new procedure in place that when there is any change to the grant after awarded, a grant modification signed by the Director of the Employment & Training Department will be submitted to the DOL for approval.

**CITY OF RICHMOND**  
**SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS**

**Finding 05-06: Reimbursement Filed Before Expenditure was Disbursed**

**Program Affected:** Department of Labor, H-1B Visa Program #1, CFDA# 17.261.

On March 17, 2005, the City received \$126,152 in federal reimbursements for expenditures paid on March 30, 2005. Compliance regulations require that the City minimize the time between the receipt of federal reimbursements and disbursements by the City. The City should request reimbursements within three days of disbursement to comply with federal regulations.

**Management Response:**

During the final month of the H1B Visa Program #1 extension, an invoice was received and the Employment & Training Department requested reimbursement without properly communicating to the City of Richmond Accounts Payable Department that a check had to be sent within 72 hours of the request of reimbursement. There is a new procedure in place to prevent this situation from reoccurring. When a grant has ended and invoices are received in the final month of the grant extension, the Employment & Training Department will inform the Accounts Payable Department (by hand carrying an invoice to the Accounts Payable Department) to include this invoice in the next scheduled check run. Once a check has been issued, the Employment & Training Department will request a reimbursement.

**Finding 05-07: Subrecipient Monitoring**

**Program Affected:** Department of Labor, H-1B Visa Program #1, CFDA# 17.261.

The H-1B Visa Program had six subrecipients during fiscal year 2005. OMB Circular A-102 Common Rule (§\_\_\_.37 and §\_\_\_.40(a)), OMB Circular A-110 (§\_\_\_.50(a)) require that the City monitor program subrecipients. The City did not perform any monitoring of it's subrecipients during the fiscal year. The City needs to perform monitoring to ensure that grant funds are being spent in compliance with the grant agreement.

**Management Response:**

We actually had seven sub recipients. Our first H-1B grant ended in December 2003, we got a 1 year no cost extension through December 2004 and the final closeout was March 2005. There was a monitoring done for Las Positas College in September 2004. Subsequent issues to this monitoring have been resolved.

**CITY OF RICHMOND**  
**SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS**

**Finding 05-08: Compliance with Grant Conditions**

**Program Affected:** Department of Housing and Urban Development, Community Development Block Grant, CFDA# 14.218

City staff was unable to provide us with a response as to whether Item 8 of the Special Conditions section of the grant agreement for Grant #B-04-MC-06-0015. While Item 8 applies to planning or construction of water or sewer facilities projects, City staff should be readily able to provide information regarding the applicability of the Section and determine whether or not the City is in compliance with the grant agreement.

In addition, according to 24 CFR section 58.34, CDBG Funds cannot be obligated or expended prior to the receipt of the Department of Housing and Urban Development's approval of a Request for Release of Funds. The City was unable to provide us with the Request for Release of Funds or documentation as to whether this Grant was exempt from this requirement. The City should take steps to locate this document and routinely retain such requests in program files.

**Management Response:**

We are in compliance with Item 8 of the Special Conditions under the Grant agreement #B-04-MC-06-0015. During that Program Year (04-05) we did not have any funds for planning or construction of a water or sewer facility. We have asked our local HUD Office to provide verification of our receipt of approval to the Request for Release of Funds for Program year 2004-2005.

**CITY OF RICHMOND**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**Prepared by Management**

**Finding 04-01: Reporting Administered by the City's Fire Department**

**Program Affected:** U.S. Department of Homeland Security, Assistance to Firefighters Grant, CFDA# 97.044

In accordance with OMB Circular A-133, grantees are required to abide by the reporting requirements as documented in the individual grant agreements of the respective programs. Per grant agreement #EMW-2002-FG-17607, the City's expenditure match amount should be 30%. During the performance of our audit we noted that the match amount used by the City was 25% instead of 30% as disclosed in the grant award document. The City used an incorrect percentage rate for the expenditure match portion of the Grant. This resulted in the federal portion of the federal expenditures being over claim by \$10,712 for the period. The City's match used on the fiscal report submitted to the granting authority should be the same as the amount disclosed in the grant award document. By reporting the incorrect match amount for the Assistance to Firefighters Grant, the federal portion of the expenses would be overstated. We recommend that the City strengthens its controls governing the financial report review submission process to ensure that it is performed in accordance with the grant award documentation.

**Current Status:**

The City has provided training across the City for all financial staff to better apprise them of their responsibilities re financial reporting. In addition, the City is planning to add a projects and grants administrator to standardize and monitor grant applications and requisite, timely grant reporting commencing July, 2006.

**Finding 04-02: Reporting Administered by the City's Port Authority**

**Program Affected:** U.S. Department of Homeland Security, Port Security Grant Program, CFDA #97.056

In accordance with OMB Circular A-133, grantees are required to abide by the reporting requirements as documented in the individual grant agreements of the respective programs. The amount reported for expenditures should represent charges for actual costs, not budgeted or projected amounts. During the performance of our audit, we noted that the reported expenditure amounts were based on budgeted amounts. When comparing the actual timing of the expenditures to claim forms, we noted that the first claim form was overstated by \$100 while the second and final claim form was understated by \$100. Reporting expenditures at actual costs, instead of budgeted or projected amounts would ensure that the Port Security Grant Program assistance is being reimbursed in the correct amounts. We recommend that the City strengthen its controls over cost accounting and financial reporting.

**Current Status:**

The City has provided training across the City for all financial staff to better apprise them of their responsibilities re financial reporting. In addition, the City is planning to add a projects and grants administrator to standardize and monitor grant applications and requisite, timely grant reporting commencing July, 2006. Specific to the Port, the City is also planning to fund an accountant position at the Port to facilitate timely and consistent financial reporting.

**CITY OF RICHMOND**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**Prepared by Management**

**Finding 04-03: Allowable Costs/Principles Administered by the City's Employment Training Department**

**Program Affected:** U.S. Department of Education, Community Technology Center Program, CFDA #84.341

In accordance with the Basic Guidelines section of OMB's cost principles circulars, expenditures should be supported by appropriate documentation. During the performance of our audit, it was noted that direct labor amounts charged to this grant program were not supported by functional time cards. Since indirect labor costs are based on direct labor amounts, indirect labor costs charged to this program could be over or understated. The direct labor amounts claimed on the grant not supported by functional time cards was \$66,416. In addition, the indirect labor costs claimed would be questioned since it was allocated using the direct labor amounts claimed on the grant. The amount of indirect labor charged to the grant for the period was \$98,517. Retaining adequate supporting documentation for expenditures would ensure that the Community Technology Center Program assistance is being funded in the correct amount. We recommend that the City retain adequate documentation to support its expenditures.

**Current Status:**

The functional time cards were subsequently found. All functional timecards are kept at the Employment & Training Department with copies attached to the Journal Entries to allocate salaries and benefits. The following procedures have been implemented by the City of Richmond Employment & Training Department in FY 2005 to ensure that the above finding does not occur in the future. The City of Richmond Employment & Training Department is funded by grants from several different Federal, State and Local Agencies. The regulations attached to these grants require that all costs be identified as either Direct or Indirect.

In the case of salaries and benefits costs, it is only possible to identify direct costs for those employees who work directly with the clients served under the specific grants. Salary and benefit costs for all other employees must be allocated between all grants in a fair and equitable manner.

The City of Richmond Employment & Training Department utilizes a "Labor Cost Pool" to collect all payroll costs. When an employee of The City of Richmond Employment & Training Department submits a timesheet, all salaries and benefits are recorded in the Labor Cost Pool. At the same time an employee of The City of Richmond Employment & Training Department submits a timesheet, they also submit a functional timesheet detailing what grants they have directly worked on for that pay period. The payroll costs for The City of Richmond Employment & Training Department are charged to the respective grants based on these records. Salaries and benefit costs of employees that do not directly work with clients are then allocated to each grant based upon the percentage of direct time for each grant.

Upon completion of each pay period, the City of Richmond Employment & Training Department timesheets and the functional timesheets are reviewed and signed by the Director of the Department. The Senior Accountant for the City of Richmond Employment & Training Department reviews and processes the functional timesheets to arrive at the percentage of direct time for each grant. The salaries and benefits for each employee are entered and multiplied by the percentage of direct time for each grant. The Director of the Department and the Senior Accountant then review the percentages and the calculated dollars of salaries and benefits for each grant. This data is then entered into SAP via Journal Entry out of the Labor Cost Pool. The Journal Entry is then submitted to the City of Richmond Finance Department for posting.

**CITY OF RICHMOND**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**Prepared by Management**

**Finding 04-04: Allowable Costs/Principles Administered by the City's Employment Training Department**

**Program Affected:** U.S. Department of Labor, Employment and Training Administration WIA – Adult, CFDA #17.258.

In accordance with the Basic Guidelines section of OMB's cost principles circulars, expenditures should be supported by appropriate documentation. During the performance of our audit, it was noted that direct labor amounts charged to this grant program were not supported by functional time cards. Since indirect labor costs are based on direct labor amounts, indirect labor costs charged to this program could be over or understated. The amount of direct labor costs charged to the grant which were not supported by functional time cards were \$111,879. In addition, the amount of indirect labor costs in the amount of \$75,223 is also questioned since it was allocated using the direct labor cost charges to the grant. Retaining adequate supporting documentation for expenditures would ensure that the WIA – Adult Program assistance is being funded in the correct amount. We recommend that the City retain adequate documentation to support its expenditures.

**Current Status:**

Same status as for Finding 04-03 above.

**Finding 04-05: Allowable Costs/Principles Administered by the City's Employment Training Department**

**Program Affected:** U.S. Department of Labor, Employment and Training Administration WIA – Rapid Response, CFDA #17.260

In accordance with the Basic Guidelines section of OMB's cost principles circulars, expenditures should be supported by appropriate documentation. During the performance of the audit, it was noted that direct labor amounts charged to this grant program were not supported by functional time cards. Since indirect labor costs are based on direct labor amounts, indirect labor costs charged to this program could be over or understated. The amount of direct labor costs charged to the grant which were not supported by functional time cards were \$111,371. In addition, the amount of indirect labor costs in the amount of \$2,935 is also questioned since it was allocated using the direct labor cost charges to the grant. Retaining adequate supporting documentation for expenditures would ensure that the WIA – Rapid Response Program assistance is being funded in the correct amount. We recommend that the City retain adequate documentation to support its expenditures.

**Current Status:**

Same status as for Finding 04-03 above.

**CITY OF RICHMOND**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**Prepared by Management**

**Finding 04-06: Allowable Costs/Principles Administered by the City's Employment Training Department**

**Program Affected:** U.S. Department of Housing and Urban Development, Youth Build, CFDA #14.243

In accordance with the Basic Guidelines section of OMB's cost principles circulars, expenditures should be supported by appropriate documentation. During the performance of the audit, it was noted that direct labor amounts charged to this grant program were not supported by functional time cards. Since indirect labor costs are based on direct labor amounts, indirect labor costs charged to this program could be over or understated. The amount of direct labor costs charged to the grant which were not supported by functional time cards were \$45,220. In addition, the amount of indirect labor costs in the amount of \$11,361 is also questioned since it was allocated using the direct labor cost charges to the grant. Retaining adequate supporting documentation for expenditures would ensure that the Youth Build Program assistance is being funded in the correct amount. We recommend that the City retain adequate documentation to support its expenditures.

**Current Status:**

Same status as for Finding 04-03 above.

**Finding 04-07: Allowable Costs/Principles Administered by the City's Employment Training Department**

**Program Affected:** U.S. Department of Housing and Urban Development, Youth Build, CFDA #14.243

In accordance with the Basic Guidelines section of OMB's cost principles circulars, expenditures should be supported by appropriate documentation. During the performance of the audit, it was noted that the program was charged for disability time off under a workers' compensation claim. The grant should not be charged for this because the City is reimbursed by their insurance provider. Charging the grant could result in a double reimbursement by the City. Additionally, since indirect labor costs are based on direct labor amounts indirect labor costs charged to this program could be over or understated. The amount of the compensation claim charge to the grant as direct labor was \$4,622. The amount of indirect labor questioned could not be determined. Reviewing expenditures charged to the grant program to confirm that they are proper in nature and eligible for reimbursement will assure that the Youth Build Program assistance is being funded in the correct amounts. We recommend that the City retain adequate documentation to support its expenditures.

**Current Status:**

The staff person that was out on a worker's compensation claim was in fact receiving wages under the City's Salary Continuation agreement with SEIU Local 790 (Article III section B #9 Injury Leave Payments of MOU). The employee in question did file a claim, but was not receiving workers compensation and therefore the direct labor charges to the YouthBuild grant are appropriate and allowable.

The City has reviewed its handling of workers' compensation claims. A new process has been implemented whereby actual reimbursable workers' compensation labor costs are transferred via journal voucher to a separate liability fund/account. Because indirect costs such as health care, disability insurance, and other employee benefits are individual specific (not based on paid salary), they would still need to be charged to the employee's default coding. The City is upgrading its financial management system, at which time, moving the indirect costs to the liability fund will be further reviewed.

**CITY OF RICHMOND**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**Prepared by Management**

**Finding 04-08: Reporting Administered by the City's Employment and Training Department**

**Program Affected:** U.S. Department of Housing and Urban Development, Youth Build, CFDA #14.243

In accordance with OMB Circular A-133, grantees are required to abide by the reporting requirements as documented in the individual grant agreements of the respective programs. The fiscal filing reports should be prepared in a timely manner and submitted to the granting authority. During the performance of our audit, it was noted that the City did not submit fiscal filing reports to the granting authority in a timely manner. Reporting program expenditures and retaining adequate supporting documentation for those expenditures would permit timely reimbursements for the program and substantiate that Youth Build Program assistance is being funded in the correct amounts. We recommend that the City report on the program in a timely manner as outline in the grant documents and retain adequate documentation to support expenditures.

**Current Status:**

The City of Richmond Employment & Training Department has implemented a schedule of when reports are due for WIA grants, a separate schedule for the Transitional Living grant whose reporting requirements are every six months and the H1B grant that has reporting requirements every quarter.

**Finding 04-09: Allowable Costs/Cost Principles Administered by the City's Employment and Training Department**

**Program Affected:** U.S. Department of Labor, Employment and Training Administration, WIA – Dislocated Worker, CFDA #17.260

In accordance with the Basic Guidelines section of OMB's cost principles circulars, expenditures should be supported by appropriate documentation. During the performance of the audit, it was noted that direct labor amounts charged to this grant program were not supported by functional timecards. Since indirect labor costs are based on direct labor amounts, indirect labor costs charged to this program could be over or understated. The amount of direct labor costs charged to the grant which were not supported by functional time cards were \$6,802. In addition, the amount of indirect labor costs in the amount of \$2,173 is also questioned since it was allocated using the direct labor cost charges to the grant. Retaining adequate supporting documentation for expenditures would ensure that the WIA –Dislocated Worker Program assistance is being funded in the correct amount. We recommend that the City retain adequate documentation to support its expenditures.

**Current Status:**

Same status as for Finding 04-03 above.

**CITY OF RICHMOND**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**Prepared by Management**

**Finding 04-10: Eligibility Administered by the City's Employment and Training Department**

**Program Affected:** U.S. Department of Labor, Employment and Training Administration, WIA – Dislocated Worker, CFDA #17.260

In accordance with the Basic Guidelines section of OMB's eligibility principles circulars, expenditures should be supported by appropriate documentation. During the performance of the audit, it was noted that payments charged to the program were made to individuals who were not participants in the program. A review process of participant payments needs to be initiated to ensure that eligible participants are receiving payments and that adequate supporting documentation for expenditures is retained to substantiate that the WIA – Dislocated Worker Program assistance is being funded in the correct amounts. We recommend that the City confirm the eligibility of the recipients who receive payments from the program.

**Current Status:**

The City of Richmond Employment & Training Department has a Workforce Development Support Specialist that organizes the filing of supporting documents and so the department is in compliance with necessary grant regulations and requirements.

**Finding 04-11: Eligibility Administered by the City's Employment and Training Department**

**Program Affected:** U.S. Department of Health and Human Services, Transitional Living, CFDA #93.550

In accordance with the Basic Guidelines section of OMB's cost principles circulars, expenditures should be supported by appropriate documentation. During the performance of the audit, it was noted that some participants had incomplete application files. These files were missing support for statements made on the application. Applicant files should have all necessary supporting documentation to ensure participants' eligibility to receive program services. Retaining adequate supporting documentation for expenditures would substantiate that Transitional Living Program assistance is being funded in the correct amount. We recommend that the City retain adequate documentation to support its expenditures.

**Current Status:**

The Transitional Living grant targets homeless youth. Since most homeless youth do not have all of the documentation that other grant programs would require, the only requirement is to verify that they are homeless. Also, The City of Richmond Employment & Training Department has a Workforce Development Support Specialist that organizes the filing of supporting documents and so the department is in compliance with necessary grant regulations and requirements.

**CITY OF RICHMOND**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**Prepared by Management**

**Finding 04-12: Allowable Costs/ Cost Principles Administered by the City's Employment and Training Department**

**Program Affected:** U.S. Department of Health and Human Services, Transitional Living, CFDA #93.550

In accordance with the Basic Guidelines section of OMB's cost principles circulars, expenditures should be supported by appropriate documentation. During the performance of the audit, it was noted that direct labor amounts charged to this grant program were not supported by functional time cards. Since indirect labor costs are based on direct labor amounts, indirect labor costs charged to this program could be over or understated. The amount of direct labor costs charged to the grant which were not supported by functional time cards were \$50,039. In addition, the amount of indirect labor costs in the amount of \$12,279 is also questioned since it was allocated using the direct labor cost charges to the grant. Retaining adequate supporting documentation for expenditures would ensure that the Transitional Living Program assistance is being funded in the correct amount. We recommend that the City retain adequate documentation to support its expenditures.

**Current Status:**

Same status as for Finding 04-03 above.

**Finding 04-13: Allowable Costs/ Cost Principles Administered by the City's Employment and Training Department**

**Program Affected:** U.S. Department of Health and Human Services, Transitional Living, CFDA #93.550

In accordance with the Basic Guidelines section of OMB's cost principles circulars, expenditures should be supported by appropriate documentation. During the performance of the audit, it was noted that the amount charged to this program for direct labor was not supported by payroll expense amounts in the City's general ledger. Additionally, since indirect labor costs are based on direct labor amounts, indirect labor cost charged to this program could be over or understated. The amount of unsupported payroll expense questioned was \$5,538. By reviewing the information used to report expenditures charged to the grant program and confirming that they are proper in nature and eligible for reimbursement will ensure that the Transitional Living Program assistance is being funded in the correct amount. We recommend that the City review the documentation that supports its expenditures for accuracy.

**Current Status:**

Same status as for Finding 04-03 above.

**CITY OF RICHMOND**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**Prepared by Management**

**Finding 04-14: Eligibility Administered by the City's Employment and Training Department**

**Program Affected:** U.S. Department of Labor, Employment and Training Administration WIA – Youth Participants, CFDA #17.259

In accordance with the Basic Guidelines section of OMB's eligibility principles, expenditures should be supported by appropriate documentation to support the eligibility of the expense. During the performance of the audit, it was noted that one participant in the program did not meet the income requirements to be eligible for participation in the program. By reviewing participant eligibility requirements and retaining adequate supporting documentation, this would substantiate that the Youth Participants Program assistance is being provided to eligible participants. We recommend that the City review applicant file documentation to check for eligibility prior to providing program services.

**Current Status:**

The City of Richmond Employment & Training Department has a Workforce Development Support Specialist that organizes the filing of supporting documents so the department is in compliance with necessary grant regulations and requirements.

**Finding 04-15: Eligibility Administered by the City's Employment and Training Department**

**Program Affected:** U.S. Department of Labor, Employment and Training Administration WIA – Youth Participants, CFDA #17.259

In accordance with the Basic Guidelines section of OMB's eligibility principles, expenditures should be supported by appropriate documentation to support the eligibility of the expense. During the performance of the audit, it was noted that payments charged to the program were made to individuals who were not participants in the program. A review process of participant payments needs to be initiated to ensure that eligible participants are receiving payments and that adequate supporting documentation for expenditures is retained to substantiate that the WIA – Youth Participants Program assistance is being issued in the correct amounts. We recommend that the City confirm the eligibility of the recipients who receive payments from the program.

**Current Status:**

The City of Richmond Employment & Training Department has a Workforce Development Support Specialist that organizes the filing of supporting documents so the department is in compliance with necessary grant regulations and requirements.

**CITY OF RICHMOND**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**Prepared by Management**

**Finding 04-16: Allowable Costs/ Cost Principles Administered by the City's Employment and Training Department**

**Program Affected:** U.S. Department of Labor, Employment and Training Administration WIA – Youth Participants, CFDA #17.259

In accordance with the Basic Guidelines section of OMB's cost principles circulars, expenditures should be supported by appropriate documentation. During the performance of the audit, it was noted that the amount charged to this program for direct labor was not supported by payroll expense amounts in the City's general ledger. Additionally, since indirect labor costs are based on direct labor amounts, indirect labor cost charged to this program could be over or understated. The amount of direct labor costs charged to the grant which were not supported by the general ledger payroll reports were \$41,226. In addition, the amount of indirect labor costs in the amount of \$16,794 is also questioned since it was allocated using the direct labor cost charges to the grant. By reviewing the information used to report expenditures charged to the grant program and confirming that they are proper in nature and eligible for reimbursement will ensure that the Youth Participants Program assistance is being funded in the correct amount. We recommend that the City review the documentation that supports its expenditures for accuracy.

**Current Status:**

Same status as for Finding 04-03 above.

**Finding 04-17: Allowable Costs/ Cost Principles Administered by the City's Employment and Training Department**

**Program Affected:** U.S. Department of Labor, Employment and Training Administration WIA – Youth Participants, CFDA #17.259

In accordance with the Basic Guidelines section of OMB's cost principles circulars, expenditures should be supported by appropriate documentation. During the performance of the audit, it was noted that expenditure amounts charged to this grant program did not have adequate supporting documentation to assist in determining if the expenditure was proper in nature and allowable. The amount questioned was \$9,310. By retaining adequate supporting documentation for expenditures, this would ensure that the WIA – Youth Participants Program assistance is being issued in the correct amounts. We recommend that the City retain adequate documentation to support its expenditures.

**Current Status:**

The City of Richmond Employment & Training Department has implemented the procedure of having all supporting documentation reviewed by the Senior Accountant and then signed by the Director of Employment & Training to make sure all costs are allowable.

**CITY OF RICHMOND**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**Prepared by Management**

**Finding 03-01: Reporting Administered by the City's Employment and Training Department**

**Program Affected:** U.S. Department of Labor, Employment and Training Administration, Welfare-to-Work, CFDA #17.253

In accordance with OMB Circular A-133, grantees are required to abide by the reporting requirements as documented in the individual grant agreement of the respective programs. Per grant agreement #Y-6778-8-00-81-60, final reports must be submitted no later than 90 days after the grant expires. During the performance of our audit, we noted that the grant expired on June 30, 2003. The final report was submitted on February 25, 2004, which was 240 days after the grant expired. By ensuring that final reports are submitted timely, Welfare-to-Work assistance could be accounted for in a timely manner. We recommend that the City strengthen its controls governing financial report submission process to ensure that it is performed in a timely manner.

**Current Status:**

The City of Richmond Employment & Training Department has implemented a schedule of when reports are due for all grants including: a separate schedule for WIA grants, a separate schedule for the Transitional Living grant whose reporting requirements are every six months and the H1B grant that has reporting requirements every quarter.

**Finding 03-02: Allowable Costs/ Cost Principles Administered by the City's Employment and Training Department**

**Program Affected:** U.S. Department of Labor, Employment and Training Administration, WIA – Youth Participants, CFDA #17.259

In accordance with the Basic Guidelines section of OMB's cost principles circulars, expenditures should represent charges for actual costs, not budgeted or projected amounts. During the performance of our audit, we noted that an expenditure was overstated in the general ledger by \$546. The amount on the invoice was \$9,492 while the amount recorded in the general ledger was based on an original estimate from a purchase order for \$10,038. Reporting expenditures at actual costs, instead of budgeted or projected amounts, would ensure WIA – Youth Participants assistance is being issued in the correct amounts. We recommend that the City strengthen its controls governing cost accounting.

**Current Status:**

The City of Richmond Employment & Training Department has implemented the procedure of having all supporting documentation reviewed by the Senior Accountant and then signed by the Director of Employment & Training to make sure all costs are allowable. Also, all expenditure of \$1,000 or more are reviewed and approved by the Finance Director to ensure proper documentation is in place. Controls to ensure proper documentation are also being enhanced through the restart of a centralized Purchasing Division.

**CITY OF RICHMOND**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**Prepared by Management**

**Finding 03-03: Allowable Costs/ Cost Principles Administered by the City's Employment and Training Department**

**Program Affected:** U.S. Department of Labor, Employment and Training Administration, WIA – Youth Participants, CFDA #17.259

In accordance with the Basic Guidelines section of OMB's cost principles circulars, expenditures should represent charges for actual costs, not budgeted or projected amounts. The City found errors in the cost allocation system for allocating indirect payroll costs and had to reverse the entire fiscal year's payroll charges to the grant. Salary assessments were rerun at the end of the year. During the performance of our audit, the City was unable to provide documents to support allocation of payroll cost. The City was unable to support the amount of \$27,052 in payroll costs charged to the grant. Retaining adequate supporting documentation for expenditures would substantiate that WIA – Youth Participants assistance is being issued in the correct amounts. We recommend that the City retain adequate supporting documentation to support expenditures.

**Current Status:**

Same status as for Finding 04-03 above.