

City of Richmond

Richmond, California

Single Audit Report

For the year ended June 30, 2023

City of Richmond
Single Audit Report
For the year ended June 30, 2023
Table of Contents

	<u>Page</u>
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
Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with the Uniform Guidance And on the Schedule of Expenditures of Federal Awards	3
Schedule of Expenditures of Federal Awards.....	7
Notes to Schedule of Expenditures of Federal Awards.....	9
Schedule of Findings and Questioned Costs.....	10

This page intentionally left blank.

**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**

Independent Auditor's Report

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

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 City of Richmond, California (City) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 23, 2024.

Report on Internal Control Over Financial Reporting

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

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

To the Honorable Mayor and Members of City Council
of the City of Richmond
Richmond, California
Page 2

Report on Compliance and Other Matters

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

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 results 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.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi & Associates, CPAs
Berkeley, California
March 20, 2024



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM
GUIDANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Richmond, California (City)'s compliance with the types of compliance requirements identified as subject to audit 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, 2023. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

To the Honorable Mayor and Members of City Council
of the City of Richmond
Richmond, California
Page 4

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Example Entity's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

To the Honorable Mayor and Members of City Council
of the City of Richmond
Richmond, California
Page 5

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items SA2023-001 and SA2023-002. Our opinion on each major federal program is not modified with respect to these matters. *Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items SA2023-001 and SA2023-002, to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. *Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

To the Honorable Mayor and Members of City Council
of the City of Richmond
Richmond, California
Page 6

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2023, and the related notes to the financial statements. We were engaged to audit the financial statements of the discretely presented component units as of and for the year ended June 30, 2023. These financial statements collectively comprise the City's basic financial statements. We issued our report thereon dated January 23, 2024, which contained unmodified opinions on the governmental activities, General Fund, Community Development and Loan Programs Special Revenue Fund, Port of Richmond Fund, Municipal Sewer Fund and aggregated remaining funds, and disclaimer opinions on the business-type activities, Richmond Housing Authority Enterprise Fund, and the aggregate discretely presented component units. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Badawi and Associates
Berkeley, California
March 20, 2024, except for the schedule of expenditures
of federal awards on pages 7 to 9, which are as of January 23, 2024

City of Richmond
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2023

Grantor Agency and Grant Title	Federal Catalog Number	State/Other Pass-through Number	FY 2023 Program Expenditures
U.S. Department of Defense			
Direct Program:			
Community Base Reuse Plans, Project Grant/Cooperative Agreement			
Point Molate Remediation-Fund 6049	12.612		\$ 504,575
Total U.S. Department of Defense			504,575
U.S. Department of Labor			
Workforce Innovation and Opportunity Act (WIOA) Cluster			
Pass-through from California Employment & Training Administration:			
WIOA - Adult program			
English Language Learners	17.258	AA111024 - 1226	81,823
WIOA - Adult program	17.258	AA111024 & AA311024	313,062
			Program Subtotal
			394,885
WIOA Youth	17.259	AA311024	240,186
WIOA Dislocated Worker Formula Grants			
WIOA Dislocated Worker	17.278	AA211024 & AA311024	251,128
WIOA Dislocated Youth Worker	17.278	AA111024 - 1233	162,896
WIOA Rapid Response	17.278	AA211024 & AA311024	173,674
Rapid Response Layoff Aversion	17.278	AA211024 & AA311024	42,518
			Program Subtotal
			630,216
Workforce Innovation and Opportunity Act (WIOA) Cluster Total			1,265,287
Pass-through from California Employment & Training Administration			
WIOA Career Dislocated Worker	17.277	DW-36843-21-60A-6 / DW368435RO	458,623
Pass-through from California Employment & Training Administration			
Youth Build 2020	17.274	YB-34247-19-60-A-6	440,077
Youth Build 2022	17.274	YB34247-19-60-A-6 / YB38206E41	168,185
			Program Subtotal
			608,262
Total U.S. Department of Labor			2,332,172
U.S. Department of Transportation			
Pass-through from CA-Department of Transportation			
Highway Planning & Construction			
Yellow Brick Road	20.205	ATPL-5137(049)	360,399
Bridge Preventive Maintenance	20.205	BPMP-5137(046)	14,243
Castro Ranch Road Rehabilitation	20.205	STPLR-7500(235)	20,883
Section 130 Rail Highway Crossings Program	20.205	STPLR-7500(282)	1,932
Total U.S. Department of Transportation			397,457

See accompanying Notes to Schedule of Expenditures of Federal Awards

City of Richmond
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2023

Grantor Agency and Grant Title	Federal Catalog Number	State/Other Pass-through Number	FY 2023 Program Expenditures
U.S. Department of the Interior - National Park Service			
Direct Program			
Certified Local Government CLG	15.904		17,500
Total U.S. Department of the Interior - National Park Service			17,500
U.S. Environmental Protection Agency			
Direct Program			
Brownfields Job Training Cooperative Agreements			
Environmental Workforce Development and Job Training	66.815		75,498
Total U.S. Environmental Protection Agency			75,498
U.S. Department of Education Adult - Education and Family Literacy Act			
Pass-through from California Department of Education			
Workforce Innovation and Opportunity	84.002A	V002A220005	50,944
Total U.S. Department of Education			50,944
U.S. Department of Treasury			
Direct Program			
ARPA Community Needs Assessment	21.027		180,108
ARPA Environmental Planning Consult	21.027		216,213
ARPA Rapid Response	21.027		342,906
ARPA MLK Turf Field	21.027		150,000
ARPA North Richmond Pump Station	21.027		1,440,797
Total U.S. Department of Treasury			2,330,024
U.S. Department of Homeland Security - Federal Emergency Management Agency			
Pass-through from CA-Department of Rehabilitation			
Via Verde Emergency Repairs	97.036	PW 858	210,368
Total U.S. Department of Homeland Security - Federal Emergency Management Agency			210,368
Federal Communications Commission - Emergency Connectivity Grant			
Pass-through from Universal Service Administrative Company			
Access for Richmond	32.009	ECF202115284	14,033
Total Federal Communications Commission - Emergency Connectivity Grant			14,033
Total Federal Expenditures			\$ 5,932,571

See accompanying Notes to Schedule of Expenditures of Federal Awards

City of Richmond
Single Audit Report
Notes to Schedule of Expenditures of Federal Awards
For the year ended June 30, 2023

1. REPORTING ENTITY

The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB), consists of the primary government, which is the City of Richmond (City), organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. 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 federal awards of the Richmond Housing Authority. Federal awards expended by this entity, if any, are excluded from the Schedule and are subject to a separate Single Audit.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Funds received under the various grant programs have been recorded within the general, special revenue, capital projects, and enterprise funds of the City. The City utilizes the modified accrual basis of accounting for the general, special revenue, and capital project funds. The accrual basis of accounting is used for the enterprise fund. The accompanying Schedule of Expenditures of Federal Awards (Schedule) is presented in accordance with the requirements of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Schedule of Expenditures of Federal Awards

The accompanying Schedule presents the activity of all Federal financial assistance programs of the City. Federal financial assistance received directly from Federal agencies as well as Federal financial assistance passed through the State of California and other agencies are included in the Schedule. The Schedule of Expenditures of Federal Awards was prepared from only the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

3. INDIRECT COSTS

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

City of Richmond
Single Audit Report
Schedule of Findings and Questioned Costs
For the year ended June 30, 2023

Section I - Summary of Auditors' Results

Financial Statements

Types of auditors' report issued: Modified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None noted

Any noncompliance material to the financial statements noted: No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? Yes

Types of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 200.516(a): Yes

Identification of major programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>	<u>Expenditures</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds	\$ 2,330,024
17.258 & 17.259 & 17.278	Workforce Innovation and Opportunity Act (WIOA) Cluster	1,265,287
	Total Expenditures of All Major Federal Programs	\$ 3,595,311
	Total Expenditures of Federal Awards	\$ 5,932,571
	Percentage of Total Expenditures of Federal Awards	60.6%

Dollar threshold used to distinguish between type A and type B program: \$750,000

Auditee qualified as low-risk auditee under section 200.520? No

City of Richmond
Single Audit Report
Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 2023

Section II -Current Year Findings

A. Current Year Findings - Financial Statement Audit

None reported.

City of Richmond
Single Audit Report
Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 2023

Section II –Current Year Findings, Continued

B. Current Year Findings and Questioned Costs – Major Federal Award Program Audit

SA2023-001: Lack of Documentation for Suspension or Debarment Verification

Assistance Listing Numbers: 21.027

Assistance Listing Title: Coronavirus State and Local Fiscal Recovery Funds

Name of Federal Agency: U.S. Department of Treasury

Criteria:

Per 2 CFR section 180.300, when a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the System for Award Management (SAM) Exclusions maintained by the General Services Administration (GSA) and available at SAM.gov (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity.

Condition:

The City failed to provide evidence demonstrating the verification of HR&A Advisors, Inc's eligibility before entering into a procurement contract.

Cause:

The absence of documented proof regarding the verification of HR&A Advisors, Inc's eligibility for participation in the transaction is attributed to inadequate record-keeping practices rather than a failure to conduct the verification process. It appears that while the verification may have been conducted, the City did not retain sufficient documentation to demonstrate compliance with the requirement.

Context and Effect:

Without proper documentation, the City's procurement process lacks transparency and accountability, leading to challenges in demonstrating compliance with federal regulations.

Recommendation:

The City should enhance its record-keeping practices to ensure that documentation of suspension or debarment verification is consistently maintained for all procurement transactions.

Management Response:

The City has taken action by updating the procedures to now include a requirement for attaching the suspension and debarment verifications as part of the documentation process.

City of Richmond
Single Audit Report
Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 2023

Section II –Current Year Findings, Continued

B. Current Year Findings and Questioned Costs – Major Federal Award Program Audit, Continued

SA2023-002: Failure to Comply with Reporting Requirements

Assistance Listing Numbers: 21.027

Assistance Listing Title: Coronavirus State and Local Fiscal Recovery Funds

Name of Federal Agency: U.S. Department of Treasury

Criteria:

The grant requires the submitted quarterly reports to be agreed to the City’s accounting records, ensuring the accuracy and completeness of the reports.

Condition:

On the Project and Expenditure Report for Q2 2023 (April-June), the North Richmond Pump Station total cumulative expenditures cannot be traced to the City’s accounting records.

Cause:

The City modified the allocation of the funds subsequent to the submission the report.

Context and Effect:

The discrepancy between the report and the accounting record introduces a risk of misrepresentation and misinterpretation of financial data. The modified use of funds without corresponding adjustments in accounting records may lead to misunderstandings in the oversight entities.

Recommendation:

We recommend the City update the report timely to reflect the revised allocation of the funds, ensuring the consistency between the Project and Expenditure Report and the financial records.

Management Response:

The City will address the misalignment by reporting the revised and accurate information in the upcoming quarterly report.

City of Richmond
Single Audit Report
Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 2023

Section III- Prior Year Findings

A. Prior Year Findings - Financial Statement Audit

None reported.

B. Prior Year Findings and Questioned Costs - Major Federal Award Program Audit

SA2022-001: Failure to Maintain Proper Documentation

Assistance Listing Numbers: 97.036

Assistance Listing Title: Disaster Grants - Public Assistance

Name of Federal Agency: U.S. Department of Homeland Security

Federal Award Identification Number: FEMA-4308-DR-CA

Name of pass-through Entity: California Office of Emergency Services

Criteria:

The grant requires the filing of quarterly progress reports on all open large projects within 30 days after the end of each calendar quarter.

Condition:

The City did not submit 3 out of 4 required quarterly progress reports

Cause:

The City had staff turnover and shortage, so the control designed was not operated properly.

Context and Effect:

The City can't provide proof shows it is in compliance with the reporting requirements for the grant.

Recommendation:

The City should implement controls to ensure all required reports are submitted timely and maintain documentation of the submission.

Current Status:

Implemented.