

# Audit findings critical of Richmond finances come as city picks third firm in three years to review books

By K. BURNELL EVANS Richmond Times-Dispatch | Posted: Monday, November 14, 2016 9:00 pm

Weary from consecutive years of historic delays in financial reporting, Monday was Groundhog Day all over again for city of Richmond officials tasked with selecting the third firm in as many years to audit the city's books.

On deck: CliftonLarsonAllen, a company that passed over the city last year when it desperately sought a replacement for Cherry Bekaert, which severed ties with Richmond in March 2015, citing dysfunction and a high-risk working environment.



Richmond City Hall

“Our risk-management folks took a look and the decision was, ‘Not at that point in time,’” Greg Bussink, with the Milwaukee-headquartered firm, told members of Richmond’s citizen Audit Committee on Monday.

The city instead turned to Grant Thornton, which on Nov. 1 got word that Richmond had decided to sever ties. After prolonged delays in reporting, the city made “a business decision” to part ways with the firm, said Tammy D. Hawley, press secretary for Mayor Dwight C. Jones.

Richmond filed its mandatory annual financial report with the state auditor of public accounts on Nov. 3 — 11 months late. That exceeded last year’s delay by three weeks and marked the third consecutive year in which officials have said employee turnover and challenges migrating financial systems snarled the process.

Bussink, who is based outside of Washington, said changes in Richmond’s leadership and the results of its most recent comprehensive annual financial report boosted the firm’s comfort level. Richmond has agreed to pay the company up to \$325,000 for work on the city’s 2016 report — a technical snapshot of a municipality’s expenses and revenues that is due to the state by Nov. 30.

As Bussink made his case to city officials for hiring his firm, auditors who completed the 2015 report released findings critical of Richmond’s internal controls. The problems laid out in Grant Thornton’s 14-page analysis distributed to Audit Committee members Monday echo old challenges.

Grant Thornton auditors found that the city continues to struggle with tracking and accurately recording its assets, including construction in progress; fails to perform reconciliation of many accounts in a timely manner or monitor some accounts to ensure transactions are being recorded monthly; fails to document and reconcile some routine and non-routine transactions — from parking payments to capitalized interest on construction work in progress; and has yet to file a single audit accounting for its expenditure of federal funds.

The single audit should be completed by the firm no later than the end of January, city Finance Director John Wack said in an email.

The city concurred with Grant Thornton's recommendations for all eight issues detailed in the report. Staffing shortages were among the reasons most frequently cited for the challenges.

There were 35 vacant full-time positions in the Finance Department as of July 1, Wack said, but funding to make the department whole was included in the current year's budget. He declined to elaborate on the city's responses to the auditors' findings.

Ultimately, the responsibility for addressing the challenges and following through on recommendations falls to the mayor, and then to the City Council, said Nick Valdrighi, chairman of the city's Audit Committee.

"We have no real power to enforce any of this," said Valdrighi, shaking his head.

According to Grant Thornton, in fiscal year 2015 the city administration:

recorded the value of The Diamond and the land surrounding the baseball stadium as \$10 — the price it paid to purchase the property from the Richmond Metropolitan Transit Authority;

did not apply adjustments identified by an audit of its fiscal year 2014 books to its 2015 checkbook;

failed to reconcile monthly cash accounts, investment accounts, accounts payable, accrued wages and personal property tax receivables in a timely manner;

left transactions placed into a so-called suspense account to allow for more research hanging for lengthy periods; and

did not create an enterprise fund for parking fees collected at several properties and intended to go into the fund until "well after the end of the fiscal year."

Grant Thornton analysts also found that password complexity settings for the city's RAPIDS system were not being enforced and that 58 people who had been terminated from the city still had access to Oracle, which provides the database and software that drive RAPIDS.

Richmond's chief administrative officer, Selena Cuffee-Glenn, said the city is committed to resolving its financial reporting issues.

"I think management is critical for success when you have some of the challenges that we have," she said.

"We're just ready to move forward."

Bussink, of CliftonLarsonAllen, estimated Monday that work on both the 2016 single audit and the annual financial report would be completed by late March.