



CITY OF RICHMOND  
CITY AUDITOR

**DATE:** February 25, 2021

**TO:** Lincoln Saunders  
Acting Chief Administrative Officer

**FROM:** Louis Lassiter *LL*  
City Auditor

**SUBJECT:** Department of Housing and Community Development (HCD) audit

The City Auditor's Office has completed the Housing and Community Development (HCD) audit and the final report is attached.

We would like to thank the Department of Housing & Community Development staff for their cooperation and assistance during this audit.

Attachment

cc: The Richmond Audit Committee  
The Richmond City Council  
Sharon Ebert, DCAO Economic Development  
Michelle Peters, Deputy Director of HCD

**Intentionally left blank**

*City of*  
**RICHMOND**  
*Office of the City Auditor*

Audit Report# 2021-11  
**Department of Housing and Community Development**  
February 25, 2021



**Audit Report Staff**

Lou Lassiter, City Auditor  
Lily Hernandez, Deputy City Auditor  
W. Bret Lewis, Lead Auditor  
Toni Noel, Auditor  
Rochelle Carter, Senior Executive Assistant

Executive Summary **i**  
Background, Objective, Scope, Methodology **1**  
Findings and Recommendations **7**  
Management Responses **Appendix A**

## Highlights

Audit Report to the Audit Committee, City Council, and the Administration

### Why We Did This Audit

The Office of the City Auditor conducted this audit as part of the FY21 audit plan approved by the Audit Committee. The main objective for this audit was to evaluate the controls, compliance and efficiency of all financial aspects of the Department's operations.

### What We Recommend

#### DCAO of Economic Development:

- Hold HCD management accountable for violating Procurement Services policies for small purchases and citywide contracts and ensure compliance moving forward.
- Develop and implement policies and procedures to ensure grant/loan deliverables are monitored.
- Develop and implement procedures to ensure compliance with the Records Retention and Disposition Schedule.
- Provide guidance to ensure staff adhere to the AHTF contract terms and refrain from issuing funds outside the award period without a written extension request.
- Develop and implement formal procedures to delineate the administrative roles and responsibilities along with reporting requirements for the Affordable Housing Trust Fund.
- Request an amendment to Ordinance No. 2014-167-160 to address conflicts of interest among AHTF Board members.
- Develop and implement policies and procedures to ensure the award letters include specific requirements for funds provided to recipients.
- Develop and implement standard operating procedures for the Housing and Community Development Department to provide guidance to their staff.

Five additional recommendations were addressed to the HCD Deputy Director.



## Department of Housing and Community Development

**Background** - On July 1, 2018, the Department of Economic and Community Development was abolished and the departments of Economic Development and the Housing & Community Development (HCD) were created in its place. HCD works to coordinate the housing and neighborhood development efforts of its federal, state, and local government, and public/private partners.

### What Works Well

**HCD Department General Fund Expenditures** - The Auditors reviewed 100% of the Department's expenditures and P-card expenditures totaling \$23,778 and noted they were appropriate, properly approved and supported.

### Needs Improvement

**Finding #1 – Split Purchases** - In FY2019 and FY2020, HCD staff issued nine PO's of \$5,000 or less each with payments totaling \$39,429 without getting three quotes. HCD management circumvented the procurement process to ensure they hired an individual they were familiar with as well as their familiarity with HCD.

**Finding #2 – Using Expired Cooperative Agreement** - HCD used an expired State Cooperative Agreement for temporary staffing services. Payments for these services totaled **\$46,210**.

**Finding #3 – Payment Outside the Contracted Range** - The Auditors analyzed payments to temporary staffing agencies during FY2020. HCD staff paid a temporary employee a rate greater than the maximum contracted rate totaling approximately **\$364**.

**Finding #4 – Lack of Timesheets** - The Auditors reviewed payments to various temporary staffing agencies. HCD paid approximately **\$39,400** for services that were not supported by timesheets.

**Finding #5 – Managerial Oversight** - HCD did not monitor the deliverables specified in the grant and loan agreements. HCD staff could not locate the signed award letters and the signed contracts for three grants. Also, a mileage reimbursement of **\$121.80** may have been paid twice. A letter for two forgivable loans of \$45,000 each from FY2016 were extended in FY2017 and were disbursed in FY2020. HCD staff could not provide documentation beyond the expiration date.

**Finding #6 – AHTF Administrative Reporting Requirements** - As of FY2020, AHTF Board had not submitted its annual activities report to the City Council and to the Mayor as required.

**Finding #7 – AHTF Board Conflict of Interest** - A representative from RRHA served on the AHTF Board as required by the Ordinance. However, the Ordinance also states that any Board members' agencies are not eligible to receive funding. RRHA was awarded funding in FY20, which is prohibited by the Ordinance. The RRHA Board member has since resigned effective April 20, 2020.

**Finding #8 – HCD Staff Conflict of interest** - Every November, HCD management selects a Review Committee comprised of HCD staff to review the AHTF applications. Management did not have a formal process in place to screen the Review Committee members for possible conflicts of interest.

**Finding #9 – Award Letter Requirements** - During FY2020 the AHTF awarded \$2,962,750 to 21 award recipients. Funds for 10 award recipients had not been disbursed as their contracts had not been finalized by the City Attorney's Office and approved by the appropriate City officials. HCD did not have a standardized letter that outlined the recipients' requirements for funds received. Fourteen of the 21 award letters did not require the award recipients to provide a breakdown of the costs. The remaining award letters required a cost breakdown submittal.

**Finding #10 – Untimely Deposits** - The FY2020 interest payment of \$14,000 submitted to HCD was not deposited timely. According to HCD staff, the deposit was delayed due to mostly working from home during the COVID 19 pandemic.

**Finding #11 – Standard Operating Procedures** - Upon becoming a new department in 2018, HCD management did not develop standard operating procedures to guide their staff.

Management concurred with 13 of 13 recommendations. We appreciate the cooperation received from management and staff while conducting this audit.

## BACKGROUND, OBJECTIVES, SCOPE, METHODOLOGY, MANAGEMENT RESPONSIBILITY and INTERNAL CONTROLS

This audit was conducted in accordance with the Generally Accepted Government Auditing Standards promulgated by the Comptroller General of the United States. Those Standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objective.

### BACKGROUND

---

On July 1, 2018, the Department of Economic and Community Development was abolished and the departments of Economic Development and the Housing and Community Development (HCD) were created in its place. HCD works to coordinate the housing and neighborhood development efforts of its federal, state, and local government, and public/private partners. The Department is responsible for the following:

- Implementing programs and initiatives that benefit low and moderate income people,
- Helping stabilize and grow neighborhoods and older commercial corridors,
- Supporting business development and economic growth through the provision of technical assistance, loans, grants, and financial incentives programs that help to create healthy sustainable neighborhoods and communities.

HCD works with for profit and non-profit partners to use its annual allocations of federal entitlement funds from the United States Department of Housing and Urban Development (HUD) to promote neighborhood revitalization and diversity, which include:

- Community Development Block Grant Program
- Home Investment Partnership Program
- Housing Opportunities for Person with AIDS
- Emergency Solutions Grant Program

These programs are regulated by specific federal guidelines and audited by the Federal government and the City's external auditors.

HCD's mission is to:

- Prevent homelessness and provide emergency housing and services to the City's most vulnerable residents;
- Provide a continuum of affordable rental and homeownership housing opportunities to the City's residents with limited incomes; and
- Revitalize the city's older neighborhoods into vibrant mixed-income, residential communities that are walkable to public transportation and commercial retail goods and services with community parks and facilities.

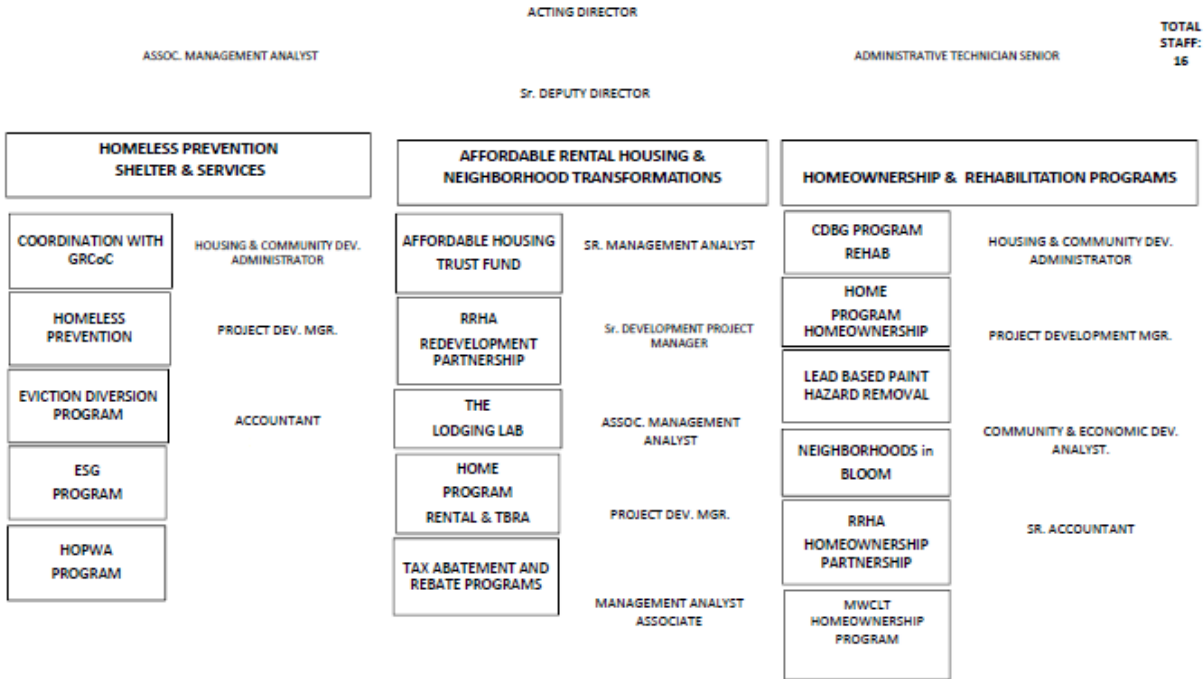
#### Staffing

HCD is comprised of three sections:

- *Homelessness Prevention Shelter & Services* – This section provides support to prevent homelessness, evictions, housing and rental assistance to persons living with HIV, as well as remove hazardous lead based paint.
- *Affordable Rental Housing & Neighborhood Transformations* – This section provides support for low income residents to obtain affordable rental and housing opportunities.
- *Homeownership & Rehabilitation Programs* – This section provides support for new construction and rehabilitation efforts for home ownership to revitalize the City.

**Richmond City Auditor's Report #2021-11**  
 Department of Housing and Community Development  
 February 25, 2021

The following organizational chart shows the various programs within each section:



This audit focused on the Affordable Housing Trust Fund activities, the hiring of temporary employees department wide, and general department expenditures.

Operating Budget:

During FY2020, HCD had a General Fund operating budget of \$1,845,033, which was comprised as follows:

- o Personnel Services                      \$852,542
- o Operating                                      \$992,491

The FY2020 adopted budget also included the following:

- o Special Fund                                \$23,444,844
- o Capital Improvement Plan              \$118,467

The Special Fund Budget included: CDBG, Home Section 108 Loan Program, Affordable Housing, Lead Hazards and other programs.

**Affordable Housing Trust Fund (AHTF)**

The Affordable Housing Trust Fund (AHTF) was created by City Code §58-101 on May 27, 2008. City Code § 58-103 states, "The purpose of all expenditures from the fund shall be to accomplish the following goals:

1. Reverse the concentrations of poverty in the city.
2. Distribute low income housing equitably.
3. Assist households displaced by the elimination of public housing units and households moving from a public housing unit owned and operated by the Richmond Redevelopment and Housing Authority.
4. Support the integration of low income households into mixed income developments.
5. Aid in providing housing for City employees whose households are low income households.
6. Support the rehabilitation of vacant buildings.
7. Support the productive reuse of properties declared surplus by the City.
8. Implement universal design principles and accessibility for disabled persons.
9. Provide for at least one City employee in the Department of Community Development to administer the fund and the programs for which the fund pays.
10. Leverage funds from other sources to accomplish all of the purposes set forth in this section."

Ordinance NO. 2014-167-160 (*section 58-111*) established the AHTF Oversight Board to oversee its administration. The Board consists of ten members who must either reside or work in the City. The members are appointed by the Mayor and City Council. City Council and the Mayor appoint six and four members, respectively. The members are appointed for a term of three years, except for the initial members who serve less than three years (either 1, 2 or 3) to facilitate the staggering of member terms. Nine members have voting rights; one of the positions is reserved for a City Council member who has no voting rights.



Funding Sources

Revenues for the AHTF can originate from various sources as follows:

- Housing fees provided by repayment of tax abatement, development, demolitions and condominium conversion.
- Proceeds obtained from the sale of City-owned residential properties.
- Repayments of interest and principal due to the City from borrowers of previous loans.
- General fund or authorized by the City Council.
- Gifts or awards made by individuals or organizations.
- Revenue collections of delinquent real estate and other taxes.
- Any dedicated revenue source that is independent of the annual regular city budget process.

During FY2020, The AHTF received the following funding:

Type of Funding	Requested
General Fund Appropriation	<b>\$2,900,000</b>
Interest Payment from RRHA Dove Street Project	<b>\$14,000</b>
<b>Total</b>	<b>\$2,914,000</b>

Funding Usage

The funds for the AHTF can be used for the following eligible activities:

- New construction, rehabilitation and preservation of affordable rental housing
- Construction, acquisition, and rehabilitation of single family homes
- The provision of down payment and closing cost assistance
- Homeownership and foreclosure counseling and housing related support services
- Homeowner rehabilitation assistance and temporary rental assistance
- Support Services related to housing

## OBJECTIVE

---

The objective for this audit was to evaluate the controls, compliance and efficiency of all financial aspects of the Department's operations.

## SCOPE

---

The scope of the audit covers Housing and Community Development's procurement and payment activities, including PCard purchases, as well as the Affordable Housing Trust Fund's activities during FY2020 and the current environment. Other programs within HCD and auditing of sub-recipients were not included as part of this audit.

## METHODOLOGY

---

The Auditors performed the following procedures to complete this audit:

- Interviewed staff to gain an understanding of their procurement and payment processes;
- Evaluated and documented processes;
- Analyzed payments issued through RAPIDS;
- Analyzed PCard purchases;
- Reviewed hiring and management of temporary employees;
- Analyzed award letters, contracts and loans for the AHTF, and
- Conducted other tests, as deemed necessary.

## MANAGEMENT RESPONSIBILITY

---

City of Richmond management is responsible for ensuring resources are managed properly and used in compliance with laws and regulations; programs are achieving their objectives; and services are being provided efficiently, effectively, and economically.

## INTERNAL CONTROLS

---

According to the Government Auditing Standards, internal control, in the broadest sense, encompasses the agency's plan, policies, procedures, methods, and processes adopted by

management to meet its mission, goals, and objectives. Internal control includes the processes for planning, organizing, directing, and controlling program operations. It also includes systems for measuring, reporting, and monitoring program performance. An effective control structure is one that provides reasonable assurance regarding:

- Efficiency and effectiveness of operations;
- Accurate financial reporting; and
- Compliance with laws and regulations.

Based on the audit test work, the Auditors concluded internal controls need improvement. These deficiencies are discussed throughout the report.

## FINDINGS and RECOMMENDATIONS

### What Works Well

---

#### HCD General Fund Expenditures

The Auditors reviewed 100% of the Department's expenditures and P-card expenditures totaling \$23,778. All the expenditures were appropriate, properly approved, and supported.

### What Needs Improvement

---

#### *Finding #1 – Split Purchases*

**Condition:** During FY2020, HCD used a temporary staffing agency and a State Cooperative Agreement to augment their staff. Although these contracts were in place, HCD staff did not use them to obtain temporary administrative support for one individual. This individual left employment with one of the contracted agencies in May 2019 and created their own company. The temporary employee registered their company with the City and resumed working for HCD in June 2019. A timeline of the events is as follows:

**Richmond City Auditor's Report #2021-11**  
 Department of Housing and Community Development  
 February 25, 2021



HCD staff acquired the temporary staffing services with the new company via Purchase Orders (PO). In FY2019 and FY2020, instead of obtaining quotes for the temporary staffing services, HCD staff issued nine PO's of \$5,000 or less each. Payments for these PO's totaled **\$39,429** as follows:

PO Number	PO Total	Date Encumbered	Amount Paid
19000021491	2,700	6/10/19	2,620
2000000639	5,000	7/12/19	5,000
20000002089	5,000	8/6/19	4,589
20000004794	5,000	9/25/19	3,820
20000006633	5,000	11/1/19	5,000
20000008060	5,000	12/9/19	5,000
20000008727	5,000	1/2/20	4,952
20000009459	5,000	1/16/20	4,864
20000011656	3,840	3/5/20	3,584
<b>Total</b>	<b>41,540</b>		<b>39,429</b>

Additionally, the rates paid to this vendor changed from \$28 to \$32 after the third PO was issued and their role changed. Neither the new rate nor the reason for the rate change were noted on the PO.

**Criteria:** According to Procurement Policy 53, "The placement of multiple orders within 90 days or less to one or more vendors for the same, like, or related goods or services may, after review of the facts, be considered a split purchase requiring corrective action and suspension or

**Richmond City Auditor's Report #2021-11**  
 Department of Housing and Community Development  
 February 25, 2021

revocation of system approval authority. Proper advance planning and reasonable anticipation of ongoing purchase needs are the best ways to preclude potential split purchases.”

The using agencies are responsible and accountable for complying with the City’s procurement requirements. Failure to comply with the requirements may result in reduction, suspension or revocation of the user agency or employee delegated authority. The requirements for quotes were as follows:

Type of Procurement	Dollar Threshold	Requirements	Comments
Single Quote (non-competitive)	\$0 - \$5,000	1 quote	PO’s are approved by agency and remitted directly to vendor.
Request for Quotation (Goods, Non-Professional Services, and Construction)*	\$5,001 - \$50,000	3 quotes	User agency obtains quotes, selects lowest responsible bidder, and remits quotes along with approved requisition to Procurement Services (DPS). DPS’ Contract Specialist reviews, approves and issues PO.
Request for Quotation (Goods, Non-Professional Services, and Construction)*	>\$50,000	Formal competitive procurement	Processed by DPS’ Contract Specialist.

\*excludes purchases from existing contracts & transportation related construction is limited to \$25,000

Note: Effective February 1, 2021 DPS Policy #14, *Small Purchase Procedures*, was updated to reflect an increase in delegated authority. The previous \$5,000 limit increased to \$10,000 and the previous \$50,000 limit increased to \$100,000.

**Cause:** HCD management circumvented the procurement process to ensure they hired an individual they were familiar with as well as their familiarity with HCD.

According to HCD staff, the intention was to use their services for three or four weeks and then hire them on a permanent basis, which did not happen. HCD staff further stated that the HCD Director supplied the pay rate increase.

**Effect:** HCD management circumvented the Small Purchase procurement requirements by issuing multiple PO’s that were under the competitive requirement threshold. This could expose the City to financial loss due to lack of competition and potential higher prices.

**Recommendation:**

1. *We recommend the Deputy Chief Administrative Officer of Economic Development hold HCD management accountable for violating Procurement Services policies for small purchases and citywide contracts and ensure compliance moving forward.*

**Finding #2 – Using Expired Cooperative Agreement**

**Condition:** HCD used a State Cooperative Agreement for temporary staffing services, which ended December 31, 2019. Although the Agreement ended, HCD staff continued to use the services of three temporary staffing employees. Payments for services rendered after December 31, 2019 totaled **\$46,210** (not including an unpaid invoice of **\$2,458** dated March 18, 2020) as follows:

<i>Payment period</i>	<b>Total</b>
<i>FY20</i>	\$32,676
<i>FY21</i>	\$13,534
<i>Total Paid</i>	<b>\$46,210</b>
<i>Unpaid Invoice</i>	\$2,458
<i>Grand Total</i>	<b>\$48,668</b>

**Criteria:** According to Procurement Services Policy 43-4.1, “The Director of Procurement Services may approve a purchase made in violation of procurement policy upon receipt of a written corrective action plan signed and approved by using agency head...”

Per the Procurement Director, Cooperative Agreements are managed by the department using them. The using agencies are responsible and accountable for complying with the City’s procurement policies. HCD was responsible for knowing when the contract expired.

Additionally, HCD should have paid all invoices for the services provided. This is a standard business practice that is important in maintaining good standing with vendors.

**Cause:** HCD did not have a process in place to monitor their contracts. HCD staff were unaware that the Cooperative Agreement had expired. They became aware the Agreement had expired

when they attempted to set up a new PO. Procurement Services staff informed them the contract had expired.

**Effect:** HCD obtained temporary staffing services totaling **\$48,668** without a contract. HCD staff submitted a written corrective action plan to Procurement Services detailing what occurred, what caused the violation, how it will be fixed and actions to be taken to ensure it doesn't happen again.

**Recommendation:**

- 2. We recommend the Deputy Director of the Housing and Community Development Department ensure the unpaid invoice of \$2,458 for services rendered is paid.*

*A recommendation for the Procurement Services' violation will not be issued as the issue was documented and corrective measures were set in the procurement violation memo.*

**Finding #3 – Payment Outside the Contracted Range**

**Condition:** The Auditors analyzed the payments to the temporary staffing agencies during FY2020 and noted HCD staff paid a temporary employee a rate that was greater than the maximum contracted rate. The maximum rate allowed in the State Cooperative Agreement for the Administrative Assistant II position was \$17.18. However, the temporary employee was paid at a rate of \$18.23, which differed by \$1.05 per hour. The amount paid over the maximum contract totaled approximately **\$364** as follows:

Hours Worked	346.38
Rate Difference	\$1.05
Amount Paid over Contract Rate	<b>\$364</b>

**Criteria:** According to the State Cooperative Agreement, the maximum rate for the Administrative Assistant II position was \$17.18 per hour.

**Cause:** HCD did not have adequate oversight over expenditures for the temporary staffing services' contracts.

**Effect:** HCD paid more than required for contracted services negating the benefits of establishing contracted rates. This resulted in payments totaling **\$364** over the contracted rate.

**Recommendation:**

- 3. We recommend the Deputy Director of the Housing and Community Development Department develop and implement oversight procedures to ensure payments comply with the contracted rates.*

**Finding #4 – Lack of Timesheets**

**Condition:** The Auditors reviewed payments to various temporary staffing agencies to ensure the invoices were supported with timesheets and noted HCD paid approximately **\$39,400** for services that were not supported by timesheets. The temporary employee did not submit timesheets detailing the days and hours worked. The invoices only included the total number of hours worked during each pay period.

Additionally, two invoices were submitted for the same time period with different rates totaling 48 hours as follows:

Invoice Number	Pay Period Ending	Hours	Rate	Total
0000020	10/6/19	40	\$28	\$1,120
0000021	10/6/19	8	\$32	\$256
<b>Total</b>		<b>48</b>		<b>\$1,376</b>

HCD staff could not explain the reason they paid two invoices for the same time period and at different rates.

**Criteria:** It is a prudent business practice to receive support of the product or service rendered prior to issuing payment.

**Cause:** According to HCD staff, the former Director approved the invoices for the Administrative Assistant. He did not require timesheets as he was aware of their working hours.



**Effect:** Without timesheets, management cannot reconcile the hours billed against the time the temporary employee actually worked. If there are any billing uncertainties, HCD would not have the documentation to validate the hours billed.

It is uncertain if the date on the invoices are correct or if one of them is for overtime as corresponding timesheets were not required. This process leaves the City exposed to paying for time not worked.

**Recommendation:**

4. *We recommend the Deputy Director of the Housing and Community Development Department require timesheets for all temporary staffing service billings.*

**Finding #5 – Managerial Oversight**

**Condition:** During FY2020, AHTF disbursed \$1,016,573 as follows:

Expenditure Type	Amount
Grants/ Loan Recipients	\$1,014,200
Operating	\$1,685
P-Card Purchases	\$688
Total	<b>\$1,016,573</b>

The Auditors reviewed 100% of the disbursements for each category and noted:

Grants/Loan Recipients – 18 disbursements:

- o All expenditures were appropriate.
- o 15 expenditures were property supported. However, HCD staff could not locate either the signed award letters or the signed contracts for three grants.
- o 16 expenditures were disbursed timely (*within one year from the signed contract*). However, two expenditures were not paid timely. A letter for two forgivable loans of \$45,000 each from FY2016 was extended in FY2017. These two loans were disbursed in FY2020. HCD staff could not provide documentation beyond the expiration date.

Additionally, the Auditors noted HCD staff did not monitor the deliverables specified in the grant and loan agreements.

Operating Expenditures - 6 disbursements & one credit:

- o Five expenditures were appropriate and properly supported. A mileage reimbursement expenditure of **\$121.80** was an appropriate expense; however it may have been paid twice.
- o Supporting documentation could not be located for one expenditure and a credit in the amounts of \$51.76 and (\$283.59).

P-Card Purchases – 2 disbursements

Both expenditures were appropriate, properly supported and approved.

**Criteria:** Per the AHTF award letters, “This grant shall be in effect for a one year period that will begin upon execution of a grant agreement.... The grant term may be extended in writing for an additional year through a written amendment agreement to be issued by AHTF and signed by both parties. Such extension shall be based on project status and funding availability”.

Per the AHTF contract terms, “The City’s point of contact shall monitor the Recipient’s compliance with this Contract. In addition to the reports set required by section 5, the Recipient shall furnish the City’s point of contact with any information reasonably requested by the City point of contact in order to enable the City’s point of contact to determine whether the Recipient is meeting the performance measures set forth in this Contract.”

According to the Records Retention and Disposition Schedule, Contracts and Financial Accounting Reports must be retained for five and three years, respectively.

**Cause:** HCD did not have managerial oversight over the administration and activities of the AHTF. Additionally, HCD did not have policies and procedures in place to provide guidance to the staff.

**Effect:** The AHTF disbursed \$1,014,200 to grant and loan recipients without any assurance they benefited City residents. Additionally, \$90,000 AHTF funds were disbursed to recipients without proper supporting documentation.

The City could be exposed to financial loss if grant and loan agreements could not be located during litigation.

**Recommendations:**

5. *We recommend the Deputy Chief Administrative Officer of Economic Development develop and implement policies and procedures to ensure grant/loan deliverables are monitored.*
6. *We recommend the Deputy Chief Administrative Officer of Economic Development develop and implement procedures to ensure compliance with the Records Retention and Disposition Schedule.*
7. *We recommend the Deputy Director of Housing and Community Development research the potential duplicate payment of \$121.80 and recover if needed.*
8. *We recommend the Deputy Chief Administrative Officer of Economic Development provide guidance to ensure staff adhere to the AHTF contract terms and refrain from issuing funds outside the award period without a written extension request.*

**Finding #6 – AHTF Administrative Reporting Requirements**

**Condition:** As of FY2020, the AHTF Board had not submitted its annual activities report to the City Council and to the Mayor.

**Criteria:** According to Richmond City Ordinance No. 2014-167-160 §58-115, “On an annual basis, the Board shall deliver to the City Council and the Mayor a brief summary of the Board’s activities for the preceding year.”

**Cause:** An HCD staff member is responsible for the AHTF’s administrative activities. The staff member is new to the position and was not aware of the annual reporting requirement. Staff did not have policies and procedures that delineated the Board’s reporting requirement.

**Effect:** Without disclosure of the Board’s activities, the Mayor and the City Council may not be in a position to make well informed decisions as it relates to the AHTF activities.

**Recommendation:**

9. *We recommend the Deputy Chief Administrative Officer of Economic Development develop and implement formal procedures to delineate the administrative roles and responsibilities along with reporting requirements for the Affordable Housing Trust Fund.*

***Finding #7 – AHTF Board Conflict Of Interest***

**Condition:** The AHTF Oversight Board was created to oversee the administration of the AHTF programs. The Board consists of ten members appointed as follows:

- Six are appointed by City Council
- Four are appointed by the Mayor

The Board's composition consists of the following:

- A representative from Richmonders Involved to strengthen our Communities
- A resident of the City of Richmond or a representative of a service provider assisting low-income individuals or families
- A representative from the Richmond Association of Realtors
- A representative from an organization dedicated to promoting affordable housing
- A lender from a financial institution with affordable housing experience
- A builder or developer with experience constructing housing projects
- A representative of the Richmond Redevelopment Housing Authority (RRHA)
- An attorney specializing in housing matters
- A housing counselor
- A member of the City Council, who is a non-voting member

The Auditors noted a representative from RRHA served on the AHTF Board as required by the Ordinance. However, the Ordinance also states that any Board members' agencies are not eligible to receive funding. RRHA was awarded funding in January 2020, which is prohibited by the Ordinance due to a conflict of interest. The RRHA Board member has since resigned effective April 20, 2020.

**Criteria:** According to Ordinance No. 2014-167-160, "No grants or loans from the Affordable Housing Trust Fund shall be awarded to persons serving on the Board or to other legal entities of which such person is a member or in which such a person has a personal interest as the State and Local Government Conflict of Interests Act defines that term."

**Cause:** The Ordinance itself created a conflict of interest by requiring a representative on the Board from an agency the AHTF provides funds to regularly.

**Effect:** The appearance of a possible conflict of interest can reduce public trust.

**Recommendation:**

*10. We recommend the Deputy Chief Administrative Officer of Economic Development request an amendment to Ordinance No. 2014-167-160 to address conflicts of interest among AHTF Board members.*

***Finding #8 – HCD Staff Conflict of interest***

**Condition:** AHTF was established to create and preserve housing units with long-term affordability and to support housing services to Richmond's low-income households. The AHTF activities are administered by a staff member within HCD. HCD staff receives and reviews funding request applications from developers and creates a log of complete and eligible applications.

Every November, HCD management selects a Review Committee comprised of HCD staff to review the applications. The applications are scored using a score card based on the following factors:

- Community objectives
- Applicant's qualifications and experience
- Cost effectiveness and feasibility
- AHTF/notice of funding availability

The results of the review are presented to the AHTF Board for approval. The Auditors noted management did not have a formal process to screen the Review Committee members for possible conflicts of interest.

**Criteria:** It's a good practice to establish formal employer expectations. A formal conflict of interest process outlines clear expectations from employers and it defines the process to follow to ensure nothing is left to interpretation.

**Cause:** Management did not prioritize formalizing the process. According to management, they verbally discuss any potential conflicts of interest.

**Effect:** HCD staff may be placed in a compromising position as they review the applications. Without full disclosure, certain applicants could receive preferential treatment. Also, not managing conflicts of interest could reduce public trust.

**Recommendation:**

*11. We recommend the Deputy Director of Housing and Community Development develop and implement a formal conflict of interest process for the AHTF Review Committee participants.*

***Finding #9 –Award Letter Requirements***

**Condition:** During FY2020, the AHTF awarded \$2,962,750 to 21 award recipients. The Auditors reviewed the signed award letters and contracts and noted:

- All award recipients had signed award letters.
- Funds for 10 award recipients had not been disbursed as their contracts had not been finalized by the City Attorney's Office and approved by the appropriate City officials.
- 10 award recipients had signed contracts and funds were submitted.
- One contract was rescinded due to a conflict of interest with an RRHA employee who was a Board member of the AHTF Board.

The Auditors noted HCD did not have a standardized letter that outlined the recipients' requirements for funds received. Fourteen of the 21 award letters did not require the award recipients to provide a "breakdown of the costs to be paid with the disbursement; and invoices or bills supporting the costs to be paid with the disbursement, if applicable." The remaining award letters required a cost breakdown submittal.

**Criteria:** It's a prudent practice to conduct business in a standard manner to promote equality and transparency. Standard policies and procedures provide a roadmap for routine operations. They ensure compliance with guidelines and regulations, provide guidance for decision making and streamline internal processes.

**Cause:** According to HCD staff they have used the same forms for each award recipient for many years. This is a carryover of how the letters were set up in the past. Additionally, HCD did not have policies and procedures to guide their staff.

**Effect:** Without formal policies and procedures, compliance with management's intent cannot be evaluated and applied consistently.

**Recommendation:**

*12. We recommend the Deputy Chief Administrative Officer of Economic Development develop and implement policies and procedures to ensure the award letters include specific requirements for funds provided to recipients.*

***Finding #10 – Untimely Deposits***

**Condition:** In 2012, the City invested \$1.5 Million in the form of a 20 year recoverable grant in RRHA to support the redevelopment of the Dove Street area. Pursuant to a Cooperative Agreement between RRHA and the City of Richmond, RRHA is required to submit interest payments of \$14,000 to the City annually.

---

**Richmond City Auditor's Report #2021-11**  
*Department of Housing and Community Development*  
*February 25, 2021*

---

The auditors noted the FY20 interest payment submitted to HCD was not deposited timely. The untimely deposit is depicted below:

Check Date	Amount	Received Date	Deposit Date
5/13/2020	\$14,000	5/22/2020	5/29/2020

**Criteria:** According to the Department of Finance's Cash Collections Policies and Procedures, "All organizational units in the City that accept cash receipts as a form of payment for goods or services, shall deposit cash receipts of \$100 or more within 2 business days."

**Cause:** According to HCD staff, the deposit was delayed due to mostly working from home during the COVID 19 pandemic.

**Effect:** Untimely deposits can result in lost revenue and decrease in services provided by the City. Additionally, the risk of staff misappropriating funds and going unnoticed increases when monitoring procedures are not in place.

**Recommendation:** Verbal

*A recommendation regarding untimely deposits was issued during a recent Special Revenue Funds audit, which remains open. Also, the untimely opening of mail and subsequent deposit was affected by the working environment during the Pandemic. Therefore, an additional recommendation will not be issued.*

### *Finding #11 – Standard Operating Procedures*

**Condition:** On July 1, 2018, the Department of Economic and Community Development was abolished and two new departments, the Department of Economic Development and the Department of Housing & Community Development were created in its place. Upon becoming a new department, HCD management did not develop formal policies and procedures to guide their staff.

**Criteria:** A policies and procedures manual is an essential management tool. It provides guidance to employees to perform their duties consistently and in conformance with policies.



It's also an effective employee training tool that communicates and delineates management's expectations.

**Cause:** HCD management did not prioritize developing standard operating procedures after becoming a separate department.

**Effect:** Without formal policies and procedures, compliance with management's intent cannot be evaluated and applied consistently. Additionally, during staff turnover, transferring knowledge from transitioning employees to their replacements may not be effective as new employees won't have a "go-to" manual for assistance when uncertainties arise.

**Recommendation:**

- 13. We recommend the Deputy Chief Administrative Officer of Economic Development develop and implement standard operating procedures for the Housing and Community Development Department to provide guidance to their staff.*

**APPENDIX A: MANAGEMENT RESPONSE FORM**  
**2021-11 Housing and Community Development Audit**

#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
1	We recommend the Deputy Chief Administrative Officer of Economic Development hold HCD management accountable for violating Procurement Services policies for small purchases and citywide contracts and ensure compliance moving forward.	Y	The Department of Housing and Community Development is currently working through this process to hold staff accountable for the violation of the Procurement policies.
	<b>TITLE OF RESPONSIBLE PERSON</b>		<b>TARGET DATE</b>
	DCAO, and the Deputy Director		4/1/2021
	<b>IF IN PROGRESS, EXPLAIN ANY DELAYS</b>		<b>IF IMPLEMENTED, DETAILS OF IMPLEMENTATION</b>
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
2	We recommend the Deputy Director of the Housing and Community Development Department ensure the unpaid invoice of \$2,458 for services rendered is paid.	Y	This invoice has been paid.
	<b>TITLE OF RESPONSIBLE PERSON</b>		<b>TARGET DATE</b>
	Management Analyst Senior		2/24/2021
	<b>IF IN PROGRESS, EXPLAIN ANY DELAYS</b>		<b>IF IMPLEMENTED, DETAILS OF IMPLEMENTATION</b>
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
3	We recommend the Deputy Director of the Housing and Community Development Department develop and implement oversight procedures to ensure payments comply with the contracted rates.	Y	The Department of Housing and Community Development will create Standard Operating Procedures with checks and balances to ensure future payments comply with contracted rates.
	<b>TITLE OF RESPONSIBLE PERSON</b>		<b>TARGET DATE</b>
	Deputy Director		8/1/2021
	<b>IF IN PROGRESS, EXPLAIN ANY DELAYS</b>		<b>IF IMPLEMENTED, DETAILS OF IMPLEMENTATION</b>
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
4	We recommend the Deputy Director of the Housing and Community Development Department require timesheets for all temporary staffing service billings.	Y	The Standard Operating Procedures will address Temporary Staff and require a standardized timesheet. The timesheet will be required to be signed by the temporary staff, HCD Manager and the HCD Management Analyst, Sr. and attached as supporting documentation for the payment.
	<b>TITLE OF RESPONSIBLE PERSON</b>		<b>TARGET DATE</b>
	Deputy Director		8/1/2021
	<b>IF IN PROGRESS, EXPLAIN ANY DELAYS</b>		<b>IF IMPLEMENTED, DETAILS OF IMPLEMENTATION</b>

**APPENDIX A: MANAGEMENT RESPONSE FORM  
2021-11 Housing and Community Development Audit**

#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
5	We recommend the Deputy Chief Administrative Officer of Economic Development develop and implement policies and procedures to ensure grant/loan deliverables are monitored.	<b>Y</b>	The Director of Housing and Community Development will create a Procedures Manual for the Affordable Housing Trust, which will include a section on Grant Management/Monitoring.
	<b>TITLE OF RESPONSIBLE PERSON</b>		<b>TARGET DATE</b>
	Director		8/1/2021
	<b>IF IN PROGRESS, EXPLAIN ANY DELAYS</b>		
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
6	We recommend the Deputy Chief Administrative Officer of Economic Development develop and implement procedures to ensure compliance with the Records Retention and Disposition Schedule.	<b>Y</b>	This will be addressed in the Standard Operating Procedures and the Affordable Housing Trust Fund Procedures Manual.
	<b>TITLE OF RESPONSIBLE PERSON</b>		<b>TARGET DATE</b>
	Director		8/1/2021
	<b>IF IN PROGRESS, EXPLAIN ANY DELAYS</b>		<b>IF IMPLEMENTED, DETAILS OF IMPLEMENTATION</b>
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
7	We recommend the Deputy Director of Housing and Community Development research the potential duplicate payment of \$121.80 and recover if needed.	<b>Y</b>	The Deputy Director will attempt to retrieve documentation to show it was not an overpayment. If documentation cannot be retrieved, the Department will make efforts to recover the payment of \$121.80
	<b>TITLE OF RESPONSIBLE PERSON</b>		<b>TARGET DATE</b>
	Deputy Director		3/8/2021
	<b>IF IN PROGRESS, EXPLAIN ANY DELAYS</b>		<b>IF IMPLEMENTED, DETAILS OF IMPLEMENTATION</b>
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
8	We recommend the Deputy Chief Administrative Officer of Economic Development provide guidance to ensure staff adhere to the AHTF contract terms and refrain from issuing funds outside the award period without a written extension request.	<b>Y</b>	Grant/Project Management will be included in the Procedures Manual for the Affordable Housing Trust Fund.
	<b>TITLE OF RESPONSIBLE PERSON</b>		<b>TARGET DATE</b>
	Director/Senior Management Analyst		8/1/2021
	<b>IF IN PROGRESS, EXPLAIN ANY DELAYS</b>		<b>IF IMPLEMENTED, DETAILS OF IMPLEMENTATION</b>

**APPENDIX A: MANAGEMENT RESPONSE FORM**  
**2021-11 Housing and Community Development Audit**

#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
9	We recommend the Deputy Chief Administrative Officer of Economic Development develop and implement formal procedures to delineate the administrative roles and responsibilities along with reporting requirements for the Affordable Housing Trust Fund.	Y	The recently adopted bylaws of the Affordable Housing Trust Fund outlines administrative roles. The bylaws were adopted in June, 2021. However, the roles and responsibilities and reporting requirements will be included in the procedures manual.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director/Senior Management Analyst		8/1/2021
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
10	We recommend the Deputy Chief Administrative Officer of Economic Development request an amendment to Ordinance No. 2014-167-160 to address conflicts of interest among AHTF Board members.	Y	Staff will prepare an Ordinance to City Council to request that the ordinance be amended to address conflicts of interest.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Deputy Director		5/1/2021
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
11	We recommend the Deputy Director of Housing and Community Development develop and implement a formal conflict of interest process for the AHTF Review Committee participants.	Y	Staff will draft and present to the Affordable Housing Trust Fund Board a formal conflict of interest process for review and approval. This will also be included in the procedures manual.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Deputy Director		5/1/2021
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
12	We recommend the Deputy Chief Administrative Officer of Economic Development develop and implement policies and procedures to ensure the award letters include specific requirements for funds provided to recipients.	y	This will be a part of the Procedures Manual for the Affordable Housing Trust Fund.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director/Deputy Director		8/1/2021
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
	Staff is currently making sure the FY20 awards include specific requirements for funds provided to recipients.		

**APPENDIX A: MANAGEMENT RESPONSE FORM**  
**2021-11 Housing and Community Development Audit**

#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
13	We recommend the Deputy Chief Administrative Officer of Economic Development develop and implement standard operating procedures for the Housing and Community Development Department to provide guidance to their staff.	y	Standard Operating Procedures for HCD will be created.
	<b>TITLE OF RESPONSIBLE PERSON</b>		<b>TARGET DATE</b>
	Director		8/1/2021
	<b>IF IN PROGRESS, EXPLAIN ANY DELAYS</b>		<b>IF IMPLEMENTED, DETAILS OF IMPLEMENTATION</b>