



*We'll get you there.*

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# City of Richmond, Virginia

Audit Exit Presentation to City Council  
Year ended June 30, 2025

# *Agenda*

- Audit scope and deliverables
- Audit plan and timeline
- Audit opinions and communications
- Appendix: New GASB Standards





# Audit Scope and Deliverables



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# Scope and Deliverables

## Financial statement audit



- Express an opinion on financial statements in accordance with U.S. GAAP
- **Express an opinion on compliance over major federal programs in accordance with UG**
- Report on internal control over financial reporting and on compliance in accordance with GAS

## Other Assurance Services



- Examination of Census Data reported to VRS
- Agreed Upon Procedures over the Sheriff's system of internal controls
- **Agreed Upon Procedures over VDEQ Compliance Letter**

## Communications



- End of audit governance communications
- Internal control communications

## Non-audit services



- Proposal of adjusting or correcting journal entries
- Assistance with adopting new accounting standards
- **Assistance with preparation of the appropriate section of the Data Collection Form**



# Audit Scope



## AUDIT OPINIONS

### Financial statement

- GAAS
- *Government Auditing Standards*
- APA Audit Specs

### Federal awards

- Uniform Guidance
- OMB Compliance Supplement



## GROUP AUDIT

We reference other auditors in our opinion as it relates to:

- Richmond School Board
- Richmond Economic Development Authority
- Richmond Behavioral Health Authority
- Richmond Redevelopment and Housing Authority
- Richmond Retirement System



# Audit Deliverables - Annual Comprehensive Financial Report



## Opinions:

- Basic Financial Statements
- Financial Statements
- Notes to the financial statements



## In relation to opinion:

- **Schedule of Expenditures of Federal Awards**
- Combining and individual fund financial statements
- Budgetary comparison schedules



## No assurance:

- Introductory Section
- Management Discussion and Analysis
- Required Supplementary Information
- Statistical Section



## Internal Controls:

- Consider internal controls over financial reporting as a basis for designing audit procedures
- We do not express an opinion on the operating effectiveness of internal controls



## Compliance:

- Perform test of compliance of certain provisions of laws, regulations and contract; we do not express an opinion
- **Opinion on compliance with federal awards; not a legal opinion**





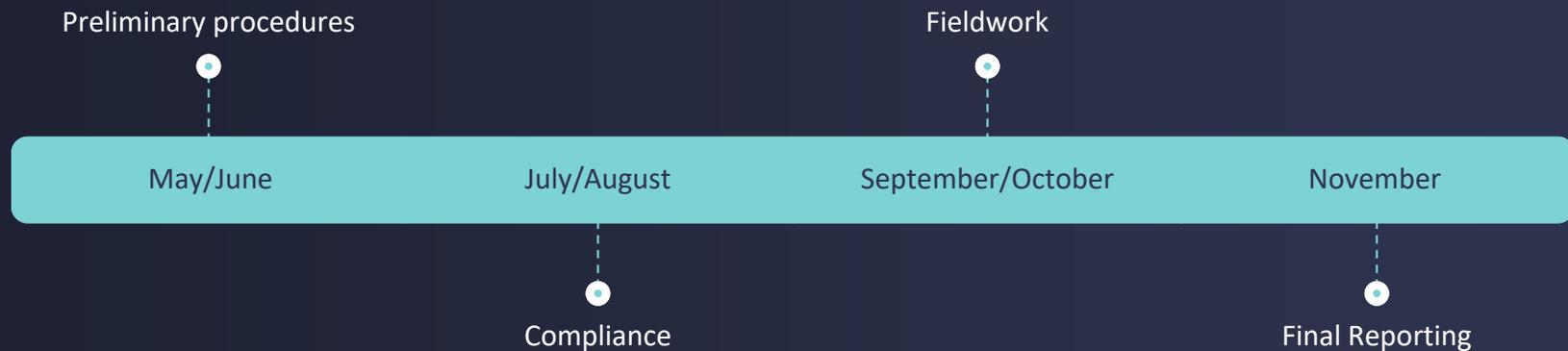
# Audit Plan and Timeline



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# Original Audit Plan Overview

We use a **collaborative approach**, including seeking input from management and governance, to develop an audit plan focusing on **risk** areas and areas of **significance to organization stakeholders**.



Any items of significance arising warranting communication with governance will be promptly communicated. If you do not hear from us prior to the final audit presentation in November, everything went as planned and discussed here today.



## Audit Plan Overview

### Significant or fraud risks

*(Other risks deemed significant or fraudulent in nature)*

- Revenue recognition — program service revenue, contributions, donated goods and services and potential restrictions
- Management override of controls

### Control risk

*(Internal controls fail to prevent or detect a material misstatement)*

- Review to validate proper design and perform tests are functioning as designed.

### Inherent risk

*(Due to the nature of the account)*

- Cash/investments
- Revenues/receivables/deferred inflows
- Restrictions on fund balance/net position
- Estimates

### Detection risk

*(Audit procedures fail to detect a material misstatement)*

- New tests annually to avoid familiarity with audit process
- Use of data analytics on large data volumes

**Audit risk** = the risk of an undetected material misstatement due to error or fraud.

Preliminary risk assessment to reduce the audit risk to an appropriately low level.





# Audit Opinions and Communications



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## AUDIT OPINIONS

### Financial statement

Financial statement audit opinion is **unmodified**.

### Federal awards

In process



## AUDIT RESULTS

### Financial statement

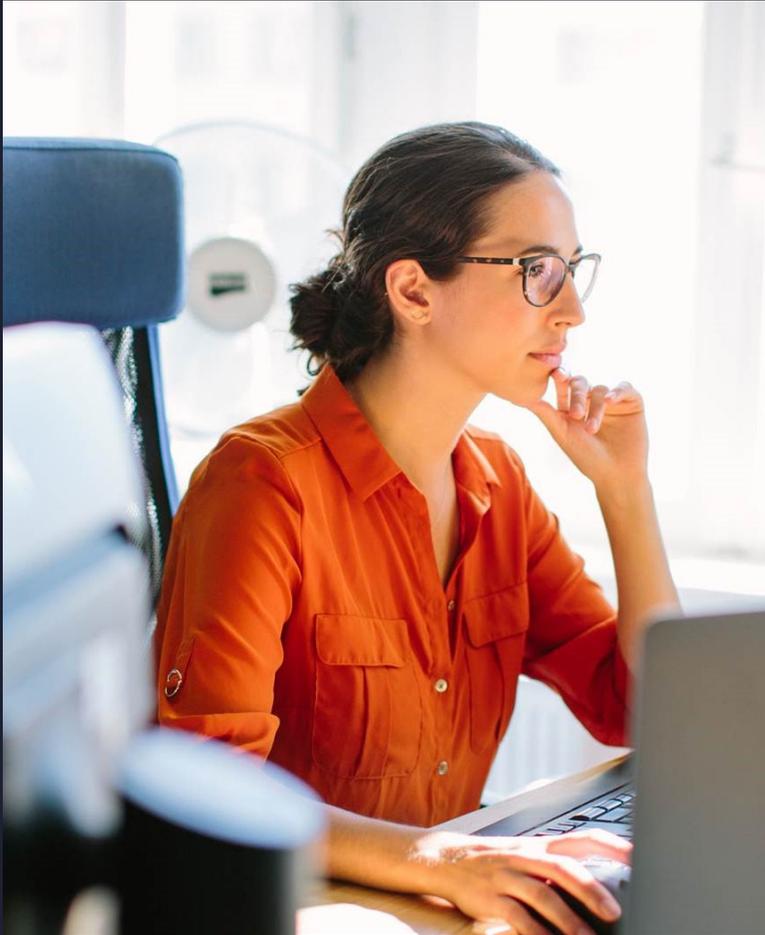
One material weaknesses noted

No reportable noncompliance noted

### Federal awards

In process





# Management Letter Recommendations

## Finance Department

- 2025-MLC-001 – Critical technical and bench strength

## Department of Social Services

- 2025-APA-001 – VIEW
- 2025-APA-002 – SNAP EBT
- 2025-APA-003 – Child Welfare Trust Accounts – Commingling of SSI & SSA Payments
- 2025-APA-004 – Child Welfare Trust Accounts – Missing SSI Deposits
- 2025-APA-005 – Child Welfare Trust Accounts – Timeliness and Accuracy

## Sheriff's Office

- 2025-APA-006 – Inmate Canteen



# Governance Communications

## Overall

- Auditor's responsibilities under GAAS and *Government Auditing Standards*
- No changes from planned scope
- Implementation of GASB 101 & 102

## Disclosures

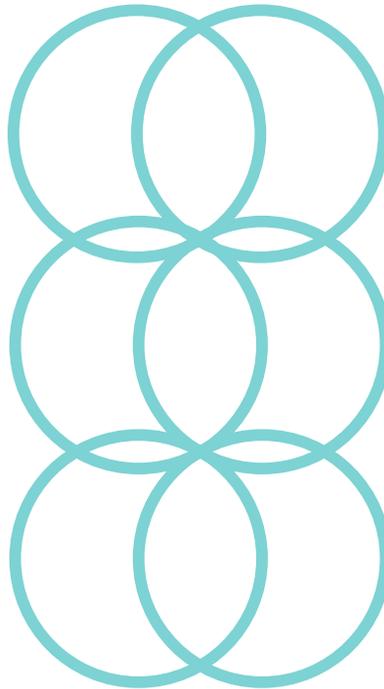
- Neutral, consistent, and clear
- No significant unusual transactions

## Difficulties

- Significant delays in issuance of ACFR
- No disagreements with management

## Management Consultation

- Not informed of any



## Estimates

- Pension & OPEB liabilities
- Self-Insurance liabilities
- Investments valued at fair value
- Allowance for doubtful accounts
- Useful lives of capital assets and depreciation expense
- Lease & SBITA liabilities

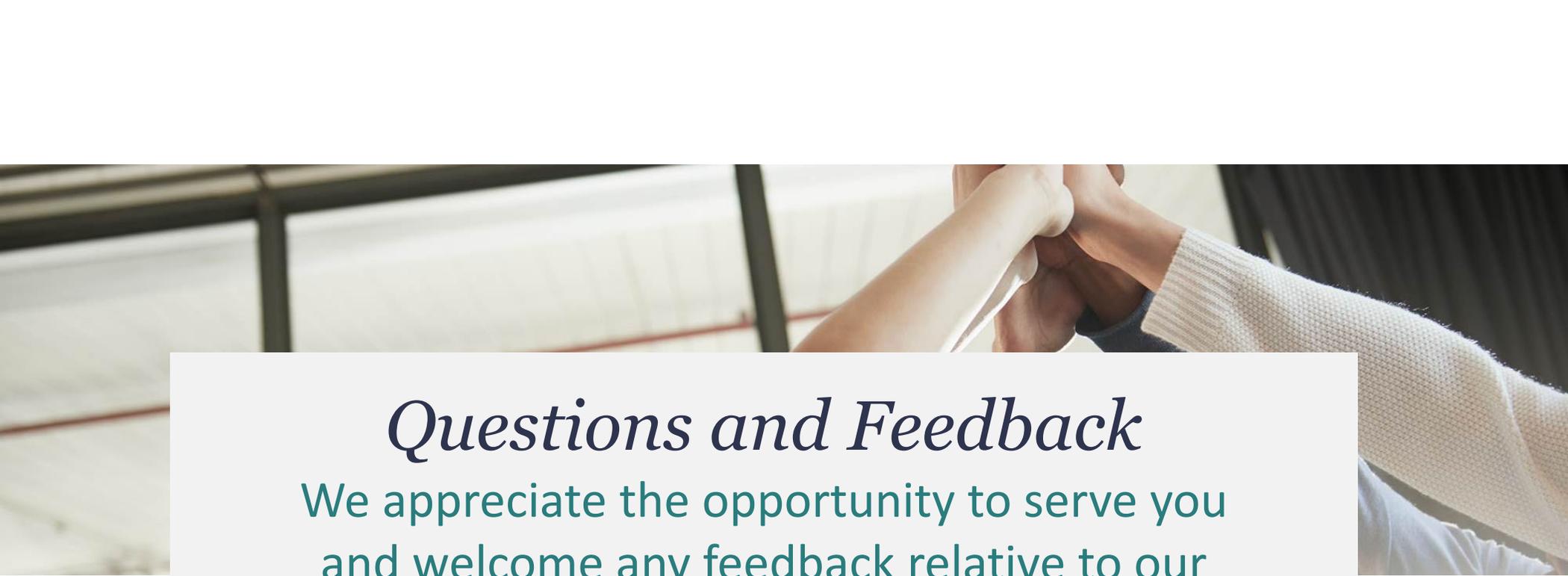
## Other

- One material audit adjustments
- No uncorrected misstatements

## Management Representation

- Obtained at issuance on February 27, 2026





# *Questions and Feedback*

We appreciate the opportunity to serve you and welcome any feedback relative to our performance and to the engagement.



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## Appendix: New GASB Standards



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# GASB 103 Financial Reporting Model Improvements



Effective date  
**June 30, 2026**



## Impacts financial statement presentation

Updated disclosure guidance for:

- MD&A consistency
- Clearer definition of unusual or infrequent items
- Presentation of proprietary fund statements
- Major component unit information
- Budgetary comparison information

**CLA can help by** assisting with or evaluating financial statement presentation and disclosure updates



# GASB 104 – Disclosure of Certain Capital Assets



Effective date  
**June 30, 2026**



**Will clarify how capital assets are disclosed in financials:**

- Capital assets held for sale and related pledged debt
- Leased assets
- Subscription assets
- Right to Use PPP assets
- Other intangible assets



**CLA can help by** assisting with or evaluating financial statement disclosure updates



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# GASB Implementation Guide 2025-1



Effective date  
**June 30, 2026, except  
for Question 4.16,  
which is effective  
immediately**



**Will provide explanatory  
guidance in the following  
areas:**

- Cash flow reporting
- Subsidies
- Lease Term and Modifications
- Accounting Changes and Error Corrections



**CLA can help by**  
assisting with or evaluating  
accounting and financial  
statement presentation  
and disclosure updates



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# GASB 105 Subsequent Events



Effective date  
**June 30, 2027**



**Clarifies subsequent event definition and establishes specific note disclosure requirements:**

- Subsequent event time frame
- Recognized vs nonrecognized events
- Disclosure of date through which subsequent events were evaluated
- Specific disclosure requirements for nonrecognized events

**CLA can help by** assisting with or evaluating financial statement disclosure updates



# *Insights*

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prepare for what's next.





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