

**FOR THE FISCAL
YEAR ENDED
JUNE 30, 2024**



2024 SINGLE AUDIT REPORT

CITY OF NORFOLK, VA



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CITY OF NORFOLK, VIRGINIA

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**INDEPENDENT AUDITORS' 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**

The Honorable Members of the City Council
City of Norfolk, Virginia

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; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia (the Specifications), 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 the City of Norfolk, Virginia (the City), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 17, 2025. The City's financial statement include the operations of the Norfolk Public Schools and Norfolk Economic Development Authority for the year ended June 30, 2024. This report does not include operations of these entities because these entities engaged for their own separate audit in accordance with *Government Auditing Standards*.

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.

The Honorable Members of the City Council
City of Norfolk, Virginia

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

City of Norfolk, Virginia
March 17, 2025



**INDEPENDENT AUDITORS' 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**

The Members
School Board of the City of Norfolk, Virginia

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, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia (the Specifications), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board of the City of Norfolk, Virginia (Schools), a component unit of the City of Norfolk, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated March 11, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Schools' 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 Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of the Schools' 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified.

The Members of the
School Board of the City of Norfolk, Virginia

We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2024-001 through 2024-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Schools' 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*.

School Board of the City of Norfolk's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Schools' responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Schools' responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.



CliftonLarsonAllen LLP

Arlington, Virginia
March 11, 2025



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Members of the City Council
City of Norfolk, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Norfolk, Virginia's (the City) 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, 2024. The City's major federal programs are identified in the summary of auditors' 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, 2024.

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; 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 Auditors' 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.

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.

Auditors' 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 the City'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.

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 2024-004, 2024-005 and 2024-007. 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 compliance 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 Auditors' 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 2024-004, 2024-005, 2024-006 and 2024-007, 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.

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.

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norfolk as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon, dated March 17, 2025, which

The Honorable Members of City Council
City of Norfolk, Virginia

contained unmodified opinions on those financial statements. 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 basic 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Arlington, Virginia
March 24, 2025

CITY OF NORFLK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

Federal Grantor/Pass-Through Entity/ Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures (\$)	Loans (\$)	Clusters Total (\$)	Program Total (\$)	Passed Through to Sub-Recipients (\$)
DEPARTMENT OF AGRICULTURE							
<u>Pass-through Payments:</u>							
Virginia Department of Education							
School Breakfast Program (Child Nutrition Cluster) - 1	10.553	202323N11994 1, 202424N11994 1	6,015,453				
National School Lunch Program (Child Nutrition Cluster) - 2	10.555	202323N11994 1, 202424N11994 1	13,497,053				
Special Milk Program for Children (Child Nutrition Cluster)	10.556	N/A	1,215,387				
Child and Adult Care Food Program	10.558	202323N11994 1, 202424N11994 1	994,249				
Summer Food Service Program for Children (Child Nutrition Cluster)	10.559	202323N11994 1	521,426				
Fresh Fruit and Vegetable Program (Child Nutrition Cluster)	10.582	202423L16034 1	622,202				
Virginia Department of Social Services							
School Breakfast Program (Child Nutrition Cluster) - 1	10.553	360001	11,862				
National School Lunch Program (Child Nutrition Cluster) - 2	10.555	360001	51,735				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP Cluster)	10.561	0010124, 0030124, 0040124, 0050124	5,399,619		5,399,619		
<i>Total for Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559 and 10.582)</i>					21,935,118		
						6,027,315	
<i>1 - Total for School Breakfast Program (10.553)</i>						13,548,788	
<i>2 - Total for National School Lunch Program (10.555)</i>							
DEPARTMENT OF COMMERCE							
<u>Direct Payments:</u>							
Economic Adjustment Assistance (Economic Development Cluster)	11.307		540,221	368,313	540,221		540,221
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
<u>Direct Payments:</u>							
Community Development Block Grants/Entitlement Grants (CDBG - Entitlement Grants Cluster)	14.218		5,884,712				958,015
COVID-19: Community Development Block Grants/Entitlement Grants (CDBG - Entitlement Grants Cluster)	14.218		726,745				119,991
Emergency Solutions Grant Program	14.231		623,522				586,480
Shelter Plus Care	14.238		598,357				
Home Investment Partnerships Program	14.239		893,069				326,689
Economic Development Initiative, Community Project Funding, and Miscellaneous Grants	14.251		2,900,000				
<u>Pass-through Payments:</u>							
Virginia Department of Housing and Community Development							
National Disaster Resilience Competition (CDBG - Disaster Recovery Grants-Pub. L. No. 113-2 Cluster)	14.272	B-13-DS-51-0001	628,813		628,813		
Norfolk Redevelopment and Housing Authority							
Choice Neighborhoods Implementation Grants (HOPE VI Cluster)	14.889	FR-6200-N-34	34,598		34,598		
<i>Total for CDBG - Entitlement Grants Cluster (14.218)</i>					6,611,457		
DEPARTMENT OF INTERIOR							
<u>Pass-through Payments:</u>							
National Fish and Wildlife Foundation (NFWF)							
NFWF-USFWS Conservation Partnership	15.663	0318.18.062532	1,590				
Virginia Department of Historic Resources							
Historic Preservation Fund Grants-In-Aid	15.904	HPF-VACLG-NOR_CAMPOST-2022, HPF-VACLG-NOR_WEST-2022	8,680				
DEPARTMENT OF JUSTICE							
<u>Direct Payments:</u>							
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590		134,340				
State Criminal Alien Assistance Program	16.606		24,160				
Public Safety Partnership and Community Policing Grants	16.710		105,000				
Edward Byrne Memorial Justice Assistance Grant Program	16.738		90,912				
Second Chance Act Reentry Initiative	16.812		103,985				8,793
Equitable Sharing Program	16.922		57,702				

CITY OF NORFLK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

Federal Grantor/Pass-Through Entity/ Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures (\$)	Loans (\$)	Clusters Total (\$)	Program Total (\$)	Passed Through to Sub-Recipients (\$)
<u>Pass-through Payments:</u>							
Virginia Department of Criminal Justice Services							
Juvenile Justice and Delinquency Prevention	16.540	OJJDP	9,957				
Crime Victim Assistance	16.575	24-O1185VW20, 24-D4071V922	506,741				
Violence Against Women Formula Grants	16.588	24-A9223VA22, 23-A922VA21	97,056				
Residential Substance Abuse Treatment for State Prisoners	16.593	510169	146,989				
Office of the Attorney General							
Services for Trafficking Victims	16.320	OVC-2020-18392	568				
DEPARTMENT OF TRANSPORTATION							
<u>Direct Payments:</u>							
National Infrastructure Investments	20.933		855,608				
Safe Streets and Roads for All	20.939		30,457				
<u>Pass-through Payments:</u>							
Virginia Department of Transportation							
Highway Planning and Construction	20.205	UPC: 107039, 108797, 109312, 109565, 111019, 111021, 111023, 112758, 112759, 113746, 113748, 113750, 113751, 113866, 113886, 115235, 115236, 117038, 119247, 121125, 121129, 121778, 122021, 123151, 113152, 119255	6,402,968				
Virginia Department of Motor Vehicles							
State and Community Highway Safety (Highway Safety Cluster)	20.600	BOP-2023-53117-23117, BSC-2023-53123-23123, BPT-2024-54053-24053	16,368		16,368		
Alcohol Open Container Requirements	20.607	ENF_AL_2023-53122-23122	7,622				
DEPARTMENT OF THE TREASURY							
<u>Direct Payments:</u>							
COVID-19: Coronavirus State and Local Fiscal Recovery Funds - 3	21.027		28,421,050				
<u>Pass-through Payments:</u>							
Virginia Department of Behavioral Health and Developmental Services							
COVID-19: Coronavirus State and Local Fiscal Recovery Funds - 3	21.027	D0837.773, D01465.773	249,020				
Virginia Department of Criminal Justice Services							
COVID-19: Coronavirus State and Local Fiscal Recovery Funds - 3	21.027	22-A4071ARRF, 22-ARP004, 504297	458,442				
Virginia Department of Education							
COVID-19: Coronavirus State and Local Fiscal Recovery Funds - 3	21.027	SLFRP1026	1,516,747				
Virginia Department of Social Services							
COVID-19: Coronavirus State and Local Fiscal Recovery Funds - 3	21.027	9122222	428,961				
Virginia Tourism Commission							
COVID-19: Coronavirus State and Local Fiscal Recovery Funds - 3	21.027	N/A	319,352				319,352
<i>3 - Total for Coronavirus State and Local Fiscal Recovery Funds (21.027)</i>						31,393,572	
NATIONAL ENDOWMENT FOR THE HUMANITIES							
<u>Direct Payments:</u>							
Promotion of the Arts - Grants to Organizations and Individuals	45.024		18,771				
ENVIRONMENTAL PROTECTION AGENCY							
<u>Pass-through Payments:</u>							
Virginia Department of Environmental Quality							
Congressionally Mandated Projects	66.202	CG-953112-01-0	432,642				
Virginia Resources Authority							
Clean Water State Revolving Fund	66.458	C-515679G, C-515721, C-515769, C-515664-01, C-515711-01	4,713,157				
National Fish and Wildlife Foundation (NFWF)							
Geographic Programs - Chesapeake Bay Program	66.466	0603.19.065939	12,580				

CITY OF NORFLK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

Federal Grantor/Pass-Through Entity/ Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures (\$)	Loans (\$)	Clusters Total (\$)	Program Total (\$)	Passed Through to Sub-Recipients (\$)
DEPARTMENT OF ENERGY							
<u>Pass-through Payments:</u>							
Southeastern Energy Efficiency Alliance							
Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	2020-SEEA-126	54,210				
DEPARTMENT OF EDUCATION							
<u>Direct Payments:</u>							
Impact Aid	84.041		3,386,098				
School Safety National Activities	84.184M		4,000				
<u>Pass-through Payments:</u>							
College of William and Mary							
COVID-19: Education Stabilization Fund - 6	84.425U	S425U210008	40,000				
COVID-19: Education Stabilization Fund - 6	84.425W	S425W210048	211,188				
Virginia Department of Aging and Rehabilitative Services							
Special Education - Grants to States (Special Education Cluster) - 4	84.027	CTR023071	5,157				
Virginia Department of Education							
Adult Education - Basic Grants to States	84.002	V002A210047	234,712				
Title I Grants to Local Educational Agencies	84.010	S010A210046	18,848,537				
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	S013A200046	305,382				
Special Education - Grants to States (Special Education Cluster) - 4	84.027	H027A210107	8,128,881				
Career and Technical Education - Basic Grants to States	84.048	V048A210046	625,242				
Special Education - Preschool Grants (Special Education Cluster)	84.173	H173A210112, H027X210107	354,496				
Twenty-First Century Community Learning Centers	84.287	S287C210047	985,560				
English Language Acquisition State Grants - 5	84.365	S365A200046	200,635				
English Language Acquisition State Grants - 5	84.365A	S365A230046	25,399				
Supporting Effective Instruction State Grants	84.367	S365A210046	2,569,039				
Student Support and Academic Enrichment Program	84.424	S424A210048	722,159				
COVID-19: Education Stabilization Fund - ESSER I and II - 6	84.425D	S425D210008	502,192				
COVID-19: Education Stabilization Fund - ARP ESSER - 6	84.425U	S425U210008	57,606,947				
4 - Total for Special Education - Grants to States (84.027)						8,134,038	
5 - Total for English Language Acquisition State Grants (84.365)						226,034	
6 - Total for Education Stabilization Fund (84.425)						58,360,327	
Virginia Department of Behavioral Health and Developmental Services							
Special Education - Grants for Infants and Families	84.181	720-4955-26	385,261				
Total for Special Education Cluster (84.027 and 84.173)					8,488,534		
DEPARTMENT OF HEALTH AND HUMAN SERVICES							
<u>Direct Payments:</u>							
HIV Emergency Relief Project Grants	93.914		5,580,272				4,419,442
<u>Pass-through Payments:</u>							
Virginia Department of Education							
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	NU90TP922153	56,962				
Virginia Department of Social Services							
Guardianship Assistance	93.090	1110124	20,978				
Title IV-E Prevention Program	93.472	1140124	56,832				
Marylee Allen Promoting Safe and Stable Families	93.556	0950123, 0960123	138,263				
Temporary Assistance for Needy Families	93.558	400124	2,968,205				
Refugee and Entrant Assistance - State/Replacement Designee Administered Programs	93.566	500124	72,976				
Low-Income Home Energy Assistance	93.568	600424	748,634				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCD Fund Cluster)	93.596	760124	666,363		666,363		
Chaffee Education and Training Vouchers Program (ETV)	93.599	9160123	4,034				

**CITY OF NORFLK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024**

Federal Grantor/Pass-Through Entity/ Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures (\$)	Loans (\$)	Clusters Total (\$)	Program Total (\$)	Passed Through to Sub-Recipients (\$)
Stephanie Tubbs Jones Child Welfare Services Program	93.645	900123	2,581				
Foster Care - Title IV-E	93.658	1100124	1,932,490				
Adoption Assistance	93.659	1120124	3,092,760				
Social Services Block Grant	93.667	1000124	2,805,565				
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	9150123	47,670				
Virginia Department of Social Services							
Children's Health Insurance Program	93.767	540124	53,078				
Medical Assistance Program (Medicaid Cluster)	93.778	1200124	4,326,339		4,326,339		
Virginia Department of Behavioral Health and Developmental Services							
Projects for Assistance in Transition from Homelessness (PATH)	93.150	NOA2473.773, D0925.773	135,596				
Opioid STR	93.788	D1294.773, NOA3005.773, NOA1293.773, NOA3004T.773, NOA3004R.773	330,462				
Block Grants for Community Mental Health Services	93.958	NOA2024.824.773, NOA2024.837.773, D0165.773, D0256.773, D1559.773, D1314.773, NOA2024.773	267,474				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	NOA2024.824.773, NOA2024.818.773, 22.NOR.CTTSConf(93.959).001.1, D1895.773, D0212.773	2,136,995				
DEPARTMENT OF HOMELAND SECURITY							
<u>Direct Payments:</u>							
Port Security Grant Program	97.056		377,447				
<u>Pass-through Payments:</u>							
Virginia Department of Emergency Management							
Flood Mitigation Assistance	97.029	FMA-PJ-03-VA-2016-005, FMA-PJ-03-VA-2018-001, FMA-PJ-03-VA-2018-003, FMA-PJ-03-VA-2020-009	136,872				
Emergency Management Performance Grants	97.042	8, 18	106,886				
Homeland Security Grant Program	97.067	EMW-2021-SS-00034	366,807				
TOTAL FEDERAL EXPENDITURES			<u>\$ 207,958,084</u>	<u>\$ 368,313</u>			<u>\$ 7,248,983</u>

CITY OF NORFLK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

1. General

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards of the City. The City of Norfolk single audit reporting entity includes the primary government and the Norfolk School Board component unit.

Federal awards not received through direct programs are passed through the departments and agencies of the Commonwealth of Virginia.

2. Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting for governmental activities. Expenditures are recorded when the liability is incurred or measurable. The related revenue is reported net of unexpended amounts returned to grantors. Proprietary fund expenditures have been prepared using the accrual basis of accounting and are reported in accordance with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

3. Clusters

Clustered programs for the year ended June 30, 2024, were as follows:

Grant Program / Cluster	Number	Expenditures
School Breakfast Program	10.553	\$ 6,027,315
National School Lunch Program	10.555	13,548,788
Special Milk Program for Children	10.556	1,215,387
Summer Food Service Program for Children	10.559	521,426
Fresh Fruit and Vegetable Program	10.582	622,202
Total Child Nutrition Cluster		<u>\$ 21,935,118</u>
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	\$ 5,399,619
Total SNAP Cluster		<u>\$ 5,399,619</u>
Economic Adjustment Assistance	11.307	\$ 540,221
Total Economic Development Cluster		<u>\$ 540,221</u>
Community Development Block Grants/Entitlement Grants (CDBG)	14.218	\$ 6,611,457
Total CDBG Entitlement Grants Cluster		<u>\$ 6,611,457</u>
National Disaster Resilience Competition	14.272	\$ 628,813
Total CDBG - Disaster Recovery Grants-Pub. L. No. 113-2 Cluster		<u>\$ 628,813</u>
Choice Neighborhoods Implementation Grants	14.889	\$ 34,598
Total HOPE VI Cluster		<u>\$ 34,598</u>
State and Community Highway Safety	20.600	\$ 16,368
Total Highway Safety Cluster		<u>\$ 16,368</u>
Special Education - Grants to States	84.027	\$ 8,134,038
Special Education - Preschool Grants	84.173	354,496
Total Special Education Cluster		<u>\$ 8,488,534</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF)	93.596	666,363
Total CCDF Cluster		<u>\$ 666,363</u>
Medical Assistance Program - Administrative	93.778	\$ 4,326,339
Total Medicaid Cluster		<u>\$ 4,326,339</u>

CITY OF NORFLK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

4. Indirect Cost Rate

For the fiscal year 2024, the City did not use the 10 percent de minimis cost rate for indirect cost billings to federal grants where an indirect cost is permitted. The City develops an indirect cost rate with the cost allocation plan that is used by the Department of Human Services for indirect cost billings.

5. Economic Adjustment Assistance - Revolving Loan Funds (RLF)

The City was awarded an Economic Development Administration RLF in FY21 in the amount of \$549,900 to provide permanent resources to support economic resiliency. All loans were reported in FY24. The calculation for the federal awards expended is displayed in the tables below:

Federal Awards Expended at June 30, 2024

RLF loans outstanding	\$ 368,313
+ Cash and investment balance in RLF	171,908
+ Administrative expenses paid from RLF income during FY24	-
+ Unpaid principal of all loans written off during FY24	-
Total	\$ 540,221
x Federal Share of the RLF	100%
Federal Awards Expended	\$ 540,221

**CITY OF NORFOLK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified

2. Internal control over financial reporting:
 - Material weakness(es) identified? X yes no
 - Significant deficiency(ies) identified? yes X none reported

3. Noncompliance material to financial statements noted? yes X no

Federal Awards

1. Internal control over major federal programs:
 - Material weakness(es) identified? yes X no
 - Significant deficiency(ies) identified? X yes none reported

2. Type of auditors’ report issued on compliance for major federal programs: Unmodified

3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X yes no

Identification of Major Federal Programs

AL Numbers	Name of Federal Program or Cluster
14.218	Community Development Block Grants Entitlement Grants Cluster
14.251	Economic Development Initiative, Community Project Funding, and Miscellaneous Grants
20.205	Highway Planning and Construction
21.027	COVID 19 - Coronavirus State and Local Fiscal Recovery Funds
84.027, 84.173	Special Education Cluster
93.914	HIV Emergency Relief Project Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$ 3,000,000

Auditee qualified as low-risk auditee? X yes no

**CITY OF NORFOLK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024**

Section II – Financial Statement Findings

2024-001 – Capital Assets

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition:

In the prior year, the Norfolk Public Schools' (Schools) did not properly capitalize expenditures, totaling \$12.4 million associated with HVAC improvements to construction in progress. In addition, there was not a proper accounting of capital related expenditures in the current year to delineate between capital assets to be reported by the City of Norfolk, VA (the City) and the Schools for financial reporting purposes.

Criteria or specific requirement:

Governmental Accounting Standards Board (GASB) requires governmental fund expenditures meeting the criteria for a capital asset should be reclassified and reported as an asset in governmental activities.

Effect:

The impact on the fiscal year June 30, 2023 financial statements was an understatement of capital assets and an overstatement of expenditures totaling \$12.4 million. A prior period adjustment was recorded to restate prior year end net position. The Schools could not provide accurate information to the City to ensure proper capitalization of costs associated with school improvements for the City's audited financial statements.

Cause:

Capital projects associated with buildings and building improvements are normally funded by the City; however, the Schools had an influx of Education Stabilization Funds from the federal government and elected to use those funds for capital needs. The Schools did not properly identify those federal funds as capitalized costs in the prior year. The Schools' internal control over capital projects did not ensure adequate tracking and recording of expenditures between the City and the Schools in the current year.

Repeat finding: No

Recommendation:

We recommend that management review current policies and procedures and make revisions as necessary to ensure that all capital expenditures, regardless of funding source, are properly reviewed, tracked, and accurately recorded in the financial statements.

Views of responsible officials and planned corrective action:

The Schools agree with this finding. See separate Corrective Action Plan related to this finding.

**CITY OF NORFOLK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024**

Section II – Financial Statement Findings (*Continued*)

2024-002 – Financial Reporting

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition:

The Schools currently lack formalized procedures for financial reporting. This has resulted in inconsistent and inaccurate financial statements, with frequent discrepancies and errors. Additionally, there has been significant turnover among key financial personnel, exacerbating the issue.

Criteria or specific requirement:

According to Generally Accepted Accounting Principles (GAAP), organizations must maintain accurate, consistent, and transparent financial records. These standards require robust internal controls and procedures to ensure the reliability of financial reporting.

Effect:

The lack of timely and accurate financial statements for the Schools caused the City to miss its regulatory deadline for financial reporting to the Auditor of Public Accounts of the Commonwealth of Virginia.

Cause:

During fiscal year 2024, the Schools faced significant turnover in both management and staff within the finance department. This issue was further compounded by additional turnover during the audit process. The absence of formal written procedures, coupled with the high turnover, led to a loss of institutional knowledge. As a result, the finance department required extensive time and assistance by City staff to produce a reliable accrual trial balance and financial statements.

Repeat finding: No

Recommendation:

We recommend the Schools review their policies and procedures and make revisions as necessary to ensure the accuracy of financial reporting and timely completion ahead of the City's regulatory reporting deadline. Policies and procedures should incorporate robust internal controls to monitor progress and promptly identify delays within the reporting cycle, ensuring timely resolution. Additionally, a formal review of the financial statements should be conducted to ensure the accuracy of financial reporting.

Views of responsible officials and planned corrective action:

The Schools agree with this finding. See separate Corrective Action Plan related to this finding.

**CITY OF NORFOLK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024**

Section II – Financial Statement Findings (*Continued*)

2024-003 – Financial Reporting

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition:

The Schools did not timely reconcile general ledger accounts, which resulted in audit delays and inaccurate reporting. We noted untimely reconciliations for the following:

- The June 2024 bank reconciliations were provided to the auditors in January 2025 and included unreconciled differences. In addition, the Schools did not implement a procedure to review and confirm bank account balances reported to the Commonwealth of Virginia (the Commonwealth) Treasurer, as required by the Auditor of Public Accounts.
- Auditor of Public Accounts Annual School Report was not submitted by the extended due date of September 30, 2024. We noted that the Schools submitted the report on November 1, 2024; however, due to untimely reconciliation of the general ledger account balances, expenditures per the general ledger did not agree to the submitted report.

Criteria or specific requirement:

Management should establish internal controls over financial reporting to ensure that the information is accurate, consistent, and relevant.

Effect:

Performing timely bank reconciliations reduces the risk that errors will go undetected and/or uncorrected. Unreconciled differences that appear immaterial can obscure significant but offsetting items (such as bank errors of improperly recorded transactions) that would cause for investigation if the items were apparent. If differences are not reconciled on a timely basis, over time, they can build up to a significant amount that will be difficult to reconcile. All items should be investigated and corrected in that period.

In addition, the Schools were not in compliance with the Specifications for Audits of Counties, Cities, and Towns, issued by the Auditor of Public Accounts of the Commonwealth of Virginia for reporting the Annual School Report and reviewing and confirming bank accounts to the Commonwealth Treasurer. Additionally, the Annual School Report included inaccurate and unreliable information to the Commonwealth.

Cause:

The issues identified above can be attributed to staffing shortages in the finance department, leading to delays in completing reconciliations and other critical tasks, insufficient training and a lack of established procedures, resulting in inconsistent practices.

Repeat finding: No

**CITY OF NORFOLK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024**

Section II – Financial Statement Findings (*Continued*)

Recommendation:

To address the issues identified with the untimely reconciliation of general ledger accounts, we recommend the following:

- Establish policies and procedures for completing bank reconciliations, ensuring they are finalized within 30 days of month's end. Policies and procedures should include resolving unreconciled differences in the current month.
- Implement a procedure for the Schools to review and confirm account balances reported to the Commonwealth Treasurer.
- Establish policies and procedures for the preparation and submission of the Auditor of Public Accounts School Report, with clear deadlines and responsibilities assigned to staff. Policies and procedures should include the timely reconciliation of general ledger balances to ensure accurate financial reporting.

Views of responsible officials and planned corrective action:

The Schools agree with this finding. See separate Corrective Action Plan related to this finding.

**CITY OF NORFOLK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024**

Section III – Findings and Questioned Costs – Major Federal Programs

Reference Number: 2024-004
Prior Year Finding: N/A
Federal Agency: Department of Health and Human Services
Federal Program: HIV Emergency Relief Projects Grants
Assistance Listing Number: 93.914
Award Number and Year: H8900053, 2023
Compliance Requirement: Subrecipient Monitoring
Type of Finding: Significant Deficiency in Internal Control Over Compliance, Other Matters

Criteria or specific requirement:

Compliance: 2 CFR §200.332(a) - Requirements for Pass-Through Entities states, in part, that all pass-through entities must ensure that every subaward is clearly identified to the subrecipient as a subaward and includes information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward.

Control: Per 2 CFR Section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should comply with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition:

The City did not furnish all required information to subrecipients at the time the subawards were issued.

Context:

The City failed to obtain the required Unique Entity Identifier (UEI) from one out of five subrecipients tested and the Federal Award Identification Number (FAIN) from five out of five subrecipients tested in accordance with proper subrecipient monitoring procedures.

Questioned costs:

None.

Cause:

The City did not establish effective internal controls and procedures over subrecipient monitoring.

**CITY OF NORFOLK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024**

Section III – Findings and Questioned Costs – Major Federal Programs *(Continued)*

Effect:

Excluding required federal grant award information at the time of the subaward may cause subrecipients and their auditors to be uninformed about program-specific regulations that apply to the funds they receive. There is also the potential for subrecipients to have incomplete Schedules of Expenditures of Federal Awards (SEFA) in subrecipients' Single Audit reports, and federal funds may not be properly audited at the subrecipient level in accordance with the Uniform Guidance.

Recommendation:

The City should review and enhance its internal controls and procedures to ensure that all required information is included in subawards at the time of issuance and maintained in subsequent modifications.

Views of responsible officials:

The City agrees with this finding. See separate Corrective Action Plan related to this finding.

**CITY OF NORFOLK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024**

Section III – Findings and Questioned Costs – Major Federal Programs (*Continued*)

Reference Number: 2024-005
Prior Year Finding: N/A
Federal Agency: Department of Transportation
Federal Program: Highway Planning and Construction
Assistance Listing Number: 20.205
Federal Award Numbers: Not available
Pass through Agency: Virginia Department of Transportation
Pass through Number(s) 107039, 108797, 109312, 109565, 111019, 111021, 111023, 112758, 112759, 113746, 113748, 113750, 113751, 113866, 113886, 115235, 115236, 117038, 119247, 121125, 121129, 121778, 122021, 123151, 113152, 119255
Award Period: 7/1/2018-6/30/2024
Compliance Requirement: Special Test: Davis-Bacon Wage Rate Requirements
Type of Finding: Significant Deficiency in Internal Control Over Compliance, Other Matters

Criteria or specific requirement:

Per 2 CFR section 200.326, nonfederal entities shall include in their construction contracts subject to the Wage Rate Requirements (which still may be referenced as the Davis-Bacon Act) a provision that the contractor or subcontractor comply with those requirements and the DOL regulations.

Condition:

The contracts and subcontracts did not include the required prevailing wage rate provisions.

Context:

For all 11 contracts tested, prevailing wage rate clauses were missing in both the contracts or subcontracts. However, the City did obtain certified weekly payrolls from all contractors tested.

Questioned costs:

Undetermined.

Cause:

The City failed to adhere to established internal controls over wage rate requirements and related regulations.

Effect:

Excluding the required prevailing wage rate information in contracts and subcontracts may cause vendors to be uninformed about specific program regulations that apply to the funds they receive.

Recommendation:

The City should review and enhance its policies and procedures to ensure that all required wage rate provisions are consistently included in contracts and subcontracts.

Views of responsible officials:

The City agrees with this finding. See separate Corrective Action Plan related to this finding.

**CITY OF NORFOLK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024**

Section III – Findings and Questioned Costs – Major Federal Programs (*Continued*)

Reference Number: 2024-006
Prior Year Finding: N/A
Federal Agency: Department of Education
Federal Program: Special Education Cluster
Assistance Listing Number: 84.027 and 84.173
Federal Award Numbers: H027A230107 and H173A230112
Pass through Agency: Virginia Department of Education
Pass through Number(s): H027A230107 and H173A230112
Award Period: July 1, 2021 – September 30, 2025
Compliance Requirement: Earmarking
Type of Finding: Significant Deficiency in Internal Control

Criteria or specific requirement:

Per the Virginia Department of Education, the proportionate share set aside amount for each required school divisions must be expended during the grant period on the provision of special education and related services for the parentally-placed private school students with disabilities enrolled in private schools and homeschooled children located in the LEA. Funds not obligated or spent at the end of the first fiscal year of the grant must be carried forward for one additional year. Any unspent funds after the one year carry over period can be spent for the other special education and related services activities. The actual Proportionate Set Aside (PSA) amount for the grant is established based on data submitted during the PSA data collection in the fall and not preliminary amounts included in the annual plan.

Condition/Context:

The PSA calculation incorrectly reported the number of eligible children with disabilities in the Schools. This error occurred due to inadequate review before the Schools verified the calculation. The error resulted in a higher amount to be expended during the grant period on the provision of special education services than required; therefore, the Schools were still in compliance with the earmarking requirement, as they expended the higher amount.

Questioned costs:

None.

Cause:

The Schools lacked established internal controls to ensure a proper review and approval process for the PSA calculation.

Effect:

Without proper internal controls, the Schools could approve an incorrect PSA calculation and potentially fail to meet the earmarking requirements set for the by the Virginia Department of Education.

Recommendation:

We recommend that the Schools review and strengthen their policies and procedures to ensure the proper review and approval of the PSA calculation before finalization.

Views of responsible officials:

The Schools agree with this finding. See separate Corrective Action Plan related to this finding.

**CITY OF NORFOLK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Reference Number: 2024-007
Prior Year Finding: N/A
Federal Agency: Department of Transportation
Federal Program: Highway Planning and Construction
Assistance Listing Number: 20.205
Federal Award Numbers: Not available
Pass through Agency: Virginia Department of Transportation
Pass through Number(s) 107039, 108797, 109312, 109565, 111019, 111021, 111023, 112758, 112759, 113746, 113748, 113750, 113751, 113866, 113886, 115235, 115236, 117038, 119247, 121125, 121129, 121778, 122021, 123151, 113152, 119255
Award Period: 7/1/2018-6/30/2024
Compliance Requirement: Special Test: Quality Assurance Program
Type of Finding: Significant Deficiency in Internal Control Over Compliance, Other Matters

Criteria or specific requirement:

22 CFR sections 637.201, 637.205, 637.207 and 637.209: A Local Public Agency (LPA) must have a quality assurance program, approved by the Federal Highway Administration (FHWA), for construction projects on the National Highway System (NHS) to ensure that materials and workmanship conform to approved plans and specifications. Verification sampling must be performed by qualified personnel employed by the State Department of Transportation or its designated agent.

Condition/Context:

For one out of six construction projects tested, the City could not provide documentation that proper tests were performed in accordance with the quality assurance program and that verification sampling activities were performed by qualified testing personnel.

Questioned costs:

None.

Cause:

The City's procedures and controls were insufficient to ensure that support for testing under the quality assurance program was maintained and readily available for audit.

Effect:

Without proper testing in accordance with the quality assurance program, there is a risk materials and workmanship for construction projects on the NHS may not conform to approved plans and specifications.

**CITY OF NORFOLK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024**

Section III – Findings and Questioned Costs – Major Federal Programs *(Continued)*

Recommendation:

We recommend that the City enhance its policies and procedures to ensure proper tests are conducted in accordance with the quality assurance program for construction projects on the NHS and is readily available for audit.

Views of responsible officials:

The City agrees with this finding. See separate Corrective Action Plan related to this finding.

**CITY OF NORFOLK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024**

Section IV – Findings and Questioned Costs – COMMONWEALTH OF VIRGINIA

Refer to finding 2024-003 for matters required to be disclosed in accordance with *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

The City of Norfolk, Virginia respectfully submits the following corrective action plan on behalf of itself and the Norfolk Public Schools for the year ended June 30, 2024.

Audit period: July 1, 2013 – June 30, 2024

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Financial Statement Audit Findings

Finding #2024-001: Capital Assets

Recommendation: We recommend that Norfolk Public Schools management review current policies and procedures and make revisions as necessary to ensure that all capital expenditures, regardless of funding source, are properly reviewed, tracked, and accurately recorded in the financial statements.

Explanation of disagreement with audit finding: The Norfolk Public Schools agrees with this audit finding.

Name of Contact Person: Cheryl Spivey, Chief Financial Officer, Norfolk Public Schools

Corrective Action: The Chief Financial Officer will review and update the current capital related administrative policies and procedures and make revisions as necessary to ensure that all capital expenditures, regardless of fund source, are carefully reviewed, tracked, and accurately recorded in the component unit financial statements. The Chief Financial Officer will also ensure that this information is shared with the City of Norfolk Accounting staff.

Proposed Completion Date: July 31, 2025

Finding #2024-002: Financial Reporting

Recommendation:

We recommend that Norfolk Public Schools review their policies and procedures and make revisions as necessary to ensure the accuracy of financial reporting and timely completion ahead of the City's regulatory reporting deadline. Policies and procedures should incorporate robust internal controls to monitor progress and promptly identify delays within the reporting cycle, ensuring timely resolution. Additionally, a formal review of the financial statements should be conducted to ensure the accuracy of financial reporting.

Explanation of disagreement with audit finding:

The Norfolk Public Schools agrees with this audit finding.

Name of Contact Person:

Cheryl Spivey, Chief Financial Officer, Norfolk Public Schools

Corrective Action:

As the auditor has noted, this finding is directly related to high turnover in the Accounting Department and accompanying loss of institutional knowledge. The division is actively recruiting qualified candidates to fill the critical accounting positions that are vacant, including the Accounting Director and the General Accounting Manager. Vacancies in these crucial roles, and other positions that have recently been filled, were the primary cause for not meeting the established financial reporting timeline. The division also temporarily hired two former administrators to assist the CFO with operations of the accounting office. Existing written procedures will be organized, revised, and readily available so the incoming director and accounting manager have a clear understanding of their responsibilities. Written procedures will identify actions necessary to insure the financial ledgers reflect all economic activity and that reports are accurate and complete.

We are very appreciative of the City of Norfolk's accounting staff for the extensive time and institutional knowledge they provided. Existing procedures will be revised to include templates and other guidance provided by City staff.

Proposed Completion Date:

The administrative policies will be updated by June 30, 2025.

Finding #2024-003: Financial Reporting

Recommendation:

To address the issues identified with the untimely reconciliation of general ledger accounts, we recommend to Norfolk Public Schools the following:

- Establish policies and procedures for completing bank reconciliations, ensuring they are finalized within 30 days of month's end. Policies and procedures should include resolving unreconciled differences in the current month.
- Implement a procedure for the Schools to review and confirm account balances reported to the Commonwealth Treasurer.
- Establish policies and procedures for the preparation and submission of the Auditor of Public Accounts School Report, with clear deadlines and responsibilities assigned to staff. Policies and procedures should include the timely reconciliation of general ledger balances to ensure accurate financial reporting.

Explanation of disagreement with audit finding:

The Norfolk Public Schools agrees with this audit finding.

Name of Contact Person:

Cheryl Spivey, Chief Financial Officer, Norfolk Public Schools

Corrective Action:

As with the other findings, this issue is also related to high administrator turnover in the Accounting Department and the accompanying loss of institutional knowledge. The division is actively recruiting qualified candidates to fill the critical accounting positions that are vacant, including the Accounting Director and the General Accounting Manager. Vacancies in these crucial roles, and other positions recently filled, were the primary cause for not meeting the established financial reporting timeline. The division temporarily hired two former administrators to assist the CFO with operations of the accounting office. Existing written procedures will be organized, revised, and readily available so the incoming director and accounting manager have a clear understanding of their responsibilities. Written procedures will identify actions necessary to ensure accurate reports are prepared in a timely manner.

Proposed Completion Date:

The written procedures will be organized and revised by June 30, 2025.

Major Federal Programs Audit Findings

Finding #2024-004: Subrecipient Monitoring

Recommendation: The City of Norfolk should review and enhance its internal controls and procedures to ensure that all required information is included in subawards at the time of issuance and maintained in subsequent modifications.

Explanation of disagreement with audit finding:

The City of Norfolk agrees with this audit finding.

Name of Contact Person: Jerome Cuffee, Fiscal Monitoring Specialist, City of Norfolk

Corrective Action: The Ryan White Office will complete a thorough review of contract templates to identify deviations from required subaward information. Appropriate language to address gaps will be drafted and incorporated into future agreements. Additional training on these requirements will be provided to relevant staff. Future agreements will be monitored to ensure compliance.

Proposed Completion Date: February 28, 2026

Finding #2024-005: Special Test: Davis-Bacon Wage Rate Requirements

Recommendation: The City of Norfolk should review and enhance its policies and procedures to ensure that all required wage rate provisions are consistently included in contracts and subcontracts.

Explanation of disagreement with audit finding:

The City of Norfolk agrees with this audit finding.

Name of Contact Person: Richard Broad, Director of Public Works, City of Norfolk

Corrective Action: The Department of Public Works, will incorporate the Federal Statement of Compliance form (C-56) within the Technical Specifications section of all federally-funded VDOT project contracts.

Proposed Completion Date: June 30, 2025

Finding #2024-006: Earmarking (Proportionate Set-Aside)

<u>Recommendation:</u>	We recommend that the Norfolk Public Schools review and strengthen their policies and procedures to ensure the proper review and approval of the Proportionate Set Aside (PSA) calculation before finalization.
<u>Explanation of disagreement with audit finding:</u>	The Norfolk Public Schools agrees with this audit finding.
<u>Name of Contact Person:</u>	Cheryl Spivey, Chief Financial Officer, Norfolk Public Schools
<u>Corrective Action:</u>	<p>Internal controls will be established over reporting to the Virginia Department of Education to ensure accuracy of data, to include:</p> <ul style="list-style-type: none"> • Student enrollment and membership data will be verified by the Department of Assessment, Research and Accountability. • Cost data and other financial information will be verified by the Accounting Department. • Information regarding children with disabilities will be verified by the Department of Learning Support.
<u>Proposed Completion Date:</u>	September 30, 2025

Finding #2024-007: Special Test: Quality Assurance Program (QAP)

<u>Recommendation:</u>	We recommend that the City of Norfolk enhance its policies and procedures to ensure proper tests are conducted in accordance with the quality assurance program for construction projects on the National Highway System (NHS) and is readily available for audit.
<u>Explanation of disagreement with audit finding:</u>	The City of Norfolk agrees with this audit finding.
<u>Name of Contact Person:</u>	John Stevenson, Director of Transportation, City of Norfolk

Corrective Action:

The Department of Transportation will develop an electronic document storage policy and procedure for the on-site retention of project documentation, to include QAP testing, required by state and federal grant awards. The policy will include forms and reports completed by staff, contractors, and consultants, and will be reviewed for compliance prior to the distribution of vendor payments.

Proposed Completion Date: September 30, 2025

THE CITY OF
NORFOLK

