

CITY OF PORTSMOUTH, VIRGINIA

**COMPLIANCE AUDIT PURSUANT TO
2 CFR PART 200 (SINGLE AUDIT REPORT)**

For the Fiscal Year Ended June 30, 2019

(With Reports of Independent Auditor Thereon)

CITY OF PORTSMOUTH
SINGLE AUDIT REPORT

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**Report of Independent Auditor 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***

To the Honorable Members of the City of Council
City of Portsmouth, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America, 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* (the "Specifications") issued by the Auditor of Public Accounts of the Commonwealth of Virginia, 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 Portsmouth, Virginia (the "City"), as of and for the year ended June 30, 2019, 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 18, 2020. Our audit report on the City's financial statements also recognized that the City restated beginning net position and fund balance for a change in reporting entity.

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") to determine the 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-003 to be a significant deficiency.

Compliance and Other Matters

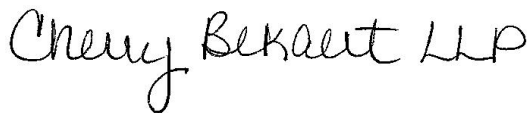
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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* and one instance of noncompliance or other matters that are required to be reported under the Specifications, which is described in the accompanying schedule of findings and questioned costs as item 2019-009.

City of Portsmouth, Virginia's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing on internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 "Cheryl Bekaert LLP". The signature is written in a cursive, flowing style.

Virginia Beach, Virginia
March 18, 2020

**Report of Independent Auditor on Compliance for Each Major
Federal Program and on Internal Control over Compliance
Required by the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Portsmouth, Virginia's (the "City") compliance with the types of compliance requirements described 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, 2019. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; 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"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of 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, 2019.

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 is described in the accompanying schedule of findings and questioned costs as items 2019-004 through 2019-008. Our opinion on each major federal program is not modified with respect to this matter.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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 combination of deficiencies, in internal control, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-004 through 2019-006 that we consider to be significant deficiencies.

The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 18, 2020, which 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cheryl Bekaert LLP

Virginia Beach, Virginia
April 10, 2020

CITY OF PORTSMOUTH, VIRGINIA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

Through Agency/Grant Program	Federal Catalogue Number	Granting Agency Number	Cluster Program Total (\$)	Passed Through Sub-Recipients (\$)	Federal Expenditures (\$)	Total by CFDA # (\$)
Department of Agriculture:						
Pass-through Payments:						
Virginia Department of Health :						
Child & Adult Care Food Program (CACFP)	10.558				355,281 \$	355,281
Pilot Projects to Reduce Dependency and Increase Work Requirements (SNAP)	10.596	0060115			17,974	17,974
Summer Food Service Program for Children (USDA)	10.559				235,025	235,025
Virginia Department of Social Services:						
		0010115, 0010116, 0030115, 0030116, 0040115, 0040116, 0050115, 0050116				
State Administrative Matching Grants for Food Stamp Program	10.561				2,041,400	2,041,400
Total SNAP Cluster			2,041,400			
Virginia Department of Agriculture and Consumer Services						
Food Distribution	10.555				512,084	512,084
Virginia Department of Education :						
National School Breakfast and Lunch Program	10.555, 10.553				6,962,406	6,962,406
Fruits and Vegetables	10.582				142,601	142,601
Total Child Nutrition Cluster			7,709,515			
Total Department of Agriculture			9,750,915	-	10,266,771	10,266,771
Department of Defense:						
Direct payments:						
ROTC	12.000				264,200	264,200
Total Department of Defense			-	- -	264,200	264,200
Department of Education:						
Direct payments:						
Impact Aid	84.041	SB41B20175285			692,125	692,125
Pass-through payments:						
Virginia Department of Education:						
Adult Education	84.002	V002A160047			156,915	156,915
Virginia Department of Education:						
Title I, Part A Cluster						
Title I Grants to Local Education Agencies	84.010	S010A140046			6,400,769	6,400,769
Title I Part-D	84.013	S010A160046			29,692	29,692
Special Education (IDEA) Cluster:						
Special Education (Title VI-B)	84.027	H027A160107			3,747,053	3,747,053
Special Education - Preschool Grants	84.173	H173A150112			187,764	187,764
Total Special Education Cluster			3,934,817			

CITY OF PORTSMOUTH, VIRGINIA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

Through Agency/Grant Program	Federal Catalogue Number	Granting Agency Number	Cluster Program Total (\$)	Passed Through Sub-Recipients (\$)	Federal Expenditures (\$)	Total by CFDA # (\$)
Special Education - Grants for Infants and Family with Disabilities	84.181	720C-04446-15-28			80,190	80,190
English Language Acquisition (Title III)	84.365	S365A150046			2,500	2,500
Vocational Education	84.048	V0489A150046			422,858	422,858
Upward Bound	84.047	P047A170117-17A			287,476	287,476
Total TRIO Cluster			287,476			
Education for Homeless Children & Youth	84.196	S196A160048			13,416	13,416
Improving Teacher Quality	84.367	S367A140044			963,714	963,714
Title IV Student Support and Academic Enrichment Grant	84.424				18,055	18,055
Title IV Part B- 21st Century Community Learning Centers	84.287	S287C160047			604,442	604,442
Total Department of Education			4,222,293	-	13,606,969	13,606,969
Department of Health and Human Services:						
Pass-through Payments:						
Virginia Department of Social Services:						
Social Services Block Grant	93.667	1000115, 1000116			1,206,263	1,206,263
Temporary Assistance for Needy Families	93.558	0400115, 0400116			1,564,710	
Temporary Assistance for Needy Families	93.558	BEN-17-056-11			86,400	
Total TANF Cluster			1,651,110			1,651,110
Child Care and Development Fund Cluster:						
Child Care and Development Fund	93.596	0760115, 0760116			279,153	279,153
Total Child Care and Development Cluster			279,153			
Chafee Education & Training Vouchers Program	93.599	9160115			1,385	1,385
Medical Assistance Program - Title XIX	93.778	11200115, 11200116			2,291,985	2,291,985
Total Medicaid Cluster			2,291,985			
Foster Care - Title IV-E	93.658	1100115, 1100116			1,044,962	1,044,962
Adoption Assistance	93.659				1,118,394	1,118,394
Independent Living	93.674	9150115, 9150116			19,323	19,323
Low-Income Home Energy Assistance	93.568	0600415, 0600415			258,276	258,276
Refugee and Entrant Assistance	93.566	0500116			1,007	1,007
Promoting Safe and Stable Families	93.556	0950114, 0950115			65,207	65,207
State Children's Insurance Program	93.767	0540115, 0540116			50,440	50,440
Child Welfare Services	93.645	0900115, 0900116			1,896	1,896
Virginia Department of Behavioral Health:						
Block Grants for Community Mental Health Services:						
MH FBG SED Child & Adolescent	93.958	SM010053-16			25,668	
MH FBG SMI	93.958	SM010053-16			151,066	
						176,734
Block Grants for Prevention and Treatment of Substance Abuse:						
SUD FBG Alcohol/Drug Treatment	93.959	TI010053-16			600,444	
SUD FBG SARPOS	93.959	TI010053-16			84,205	
SUD FBG Co-Occurring	93.959	TI010053-16			16,201	
SUD FBG Women	93.959	TI010053-16			143,367	
SUD FBG Prevention	93.959	TI010053-16			157,581	
SUD FBG One-Time Prevention	93.959	TI010053-17			9,836	
						1,011,634

CITY OF PORTSMOUTH, VIRGINIA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

Through Agency/Grant Program	Federal Catalogue Number	Granting Agency Number	Cluster Program Total (\$)	Passed Through Sub-Recipients (\$)	Federal Expenditures (\$)	Total by CFDA # (\$)
SUD Federal OPT-R-Treatment	93.788	SP020791			86,667	
SUD Federal OPT-R-Recovery	93.788	SP020791			188,499	
SUD Federal Opioid Response Year 1 - Treatment	93.788	SP020791			115,700	
SUD Federal Opiod Response Year 1 - Recovery	93.788	SP020791			55,500	
SUD Federal Opioid Response Year 1 - Prevention	93.788	SP020791			15,000	
						461,366
Projects for Assistance in Transition from Homelessness (PATH)	93.150	SM016047-16			53,715	53,715
Total Department of Health and Human Services			4,222,248	-	9,692,850	9,692,850
Department of Homeland Security:						
Direct Payments:						
Emergency Food and Shelter National Board Program	97.024	883200-002			10,047	10,047
Port Security Grant Program	97.056	EMW-2017-PU-00315			44,974	
Port Security Grant Program	97.056	EMW-2018-PU-00477			124,558	169,532
Pass-through Payments:						
Virginia Department of Emergency Management						
Local Emergency Performance Grants (LEMPG)	97.042	7825			55,880	55,880
Hazmat - Training and Equipment	97.067				16,150	
Southside Hazardous Materials Team	97.067	7896			42,768	
						58,918
Cedar Grove Cemetery	97.036	PA-03-VA-4291-PW-00023			71,928	71,928
Total Department of Homeland Security			-	-	366,305	366,305
Department of Housing and Urban Development:						
Direct payments:						
Community Development Block Grant - 80015	14.218	B-14-MC-51-0018			60,772	
Community Development Block Grant - 80016	14.218	B-15-MC-51-0019			189,375	
Community Development Block Grant - 80017	14.218	B-16-MC-51-0018			504,135	
Community Development Block Grant - 80018	14.218	B-17-MC-51-0018			979,356	
Community Development Block Grant - 80019	14.218	B-18-MC-51-0019			806,122	
Pass-through payments:						
For Kids	14.218			17,000		
Endepence Center	14.218			20,000		
Eggleston	14.218			126,900		
PARC	14.218			28,887		
		TOTAL		192,787		2,539,760
Total CDBG Cluster			2,539,760			
HOME Investment Partnerships Program - 81016	14.239	M-15-MC-51-0204			63,282	
Pass-through payments:						
HRPDC_HOME	14.239			63,282		
HOME Investment Partnerships Program - 81015	14.239	M-14-MC-51-0204			431	
Pass-through payments:						
HRPDC_HOME	14.239			431		

CITY OF PORTSMOUTH, VIRGINIA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

Through Agency/Grant Program	Federal Catalogue Number	Granting Agency Number	Cluster Program Total (\$)	Passed Through Sub-Recipients (\$)	Federal Expenditures (\$)	Total by CFDA # (\$)
HOME Investment Partnerships Program - 81016	14.239	M-15-MC-51-0204			43,715	
Pass-through payments:						
HRPDC_HOME	14.239			43,715		
HOME Investment Partnerships Program - 81017	14.239	M-16-MC-51-0204			40,930	
Pass-through payments:						
TBRA_HOME ADMIN	14.239			21,604		
HRPDC_HOME	14.239			19,326		
		TOTAL		40,930		
HOME Investment Partnership Program - 81018	14.239	M-17-MC-51-0204			188,671	
HRPDC_HOME	14.239			188,671		
						337,029
Shelter Plus Care (CoC) April 18 - March 19	14.267	VA0061L3F071710			337,833	
Shelter Plus Care (CoC) April 19 - March 20	14.267	VA0061L3071811			122,117	
						459,950
Total Department of Housing and Urban Development			2,539,760	529,816	3,336,739	3,336,739
Department of Justice:						
Direct Payments:						
U.S. Department of Justice:						
Police Department Federal Seizures	16.922				58,755	
Sheriff's Federal Forfeiture Funds	16.922				49,375	108,130
Virginia Rules Camp	16.578				3,573	3,573
Bulletproof Vest Partnership Program	16.607				30,362	30,362
Justice Assistance Grant Program - FY 16	16.738	2016-DJ-BX-0513			7,395	
Justice Assistance Grant Program - FY 17	16.738	2017-DJ-BX-0435			74,451	
Justice Assistance Grant Program - FY 18	16.738	2018-DJ-BX-0523			26,459	
Pass-through payments:						
Virginia Department of Criminal Justice Services:						
JAG - Naloxone Program	16.738	18-A4229AD11			1,525	
JAG - Comprehensive Planning	16.738	18-A4265AD11			9,331	
JAG - Youth Program	16.738	18-B6084AD15			7,630	
JAG - Recruiting and Hiring	16.738	18-B6083AD15			13,499	140,290
Victim Witness - FY18	16.575	18-X8577VG16			304,825	304,825
Total Department of Justice			-	-	587,180	587,180

CITY OF PORTSMOUTH, VIRGINIA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

Through Agency/Grant Program	Federal Catalogue Number	Granting Agency Number	Cluster Program Total (\$)	Passed Through Sub-Recipients (\$)	Federal Expenditures (\$)	Total by CFDA # (\$)
Department of Transportation:						
Pass-through Payments:						
Federal Transit Administration-Hampton Roads Transit:						
Highway Planning and Construction (Safe Routes to School Grant)	20.205	47017-04			22,804	
Virginia Department of Transportation:						
Highway Planning and Construction (Capital Improvements)	20.205	290-8130			82,788	
Transportation Alternatives Program Grant	20.205				50,260	
Total Highway Planning and Construction Cluster			155,852			155,852
Virginia Department of Motor Vehicles:						
Selective Enforcement - DUI/Passenger - Alcohol FY18	20.607	154AL-2018-58002-8002			10,727	
Selective Enforcement - DUI/Passenger - Alcohol FY19	20.607	154AL-2019-59064-9064			23,124	
						33,851
Selective Enforcement - Occupant Protection	20.600	FOP-2018-58003-8003			4,048	
Selective Enforcement - Speed 2019	20.600	FSC-2019-59065-9065			15,259	
						19,307
Total Highway Safety Cluster			19,307			
Total Department of Transportation			175,159	-	209,010	209,010
Total all agencies			20,910,375	529,816	38,330,024	38,330,024

CITY OF PORTSMOUTH, VIRGINIA**Notes to Schedule of Expenditures of Federal Awards**

For the Period Ending June 30, 2019

(1) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal awards of the City of Portsmouth, Virginia (the City). The City's reporting entity is defined in note 1 to the City's financial statements. All federal awards received directly from federal agencies as well as Federal awards passed through other government agencies are included in the schedule. The City reports federal grants for the School Board in its Schedule of Expenditures of Federal Awards because the City is the legal grantee of these funds.

(2) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in

(3) Relationship to Financial Statements

Federal awards revenues are reported in the City's financial statements as follows:

Intergovernmental revenue:City:

Governmental Fund	
General Fund	\$ 65,220
Special Revenue Funds:	
Virginia Public Assistance	9,909,470
Mental Health Services	1,786,639
Asset Forfeiture	174,195
Grants	1,722,132
Community Development	2,832,132
Proprietary Funds	
Public Utilities Fund	21,821
Golf Fund	1,033
Waste Management Fund	131,671
Capital Projects Funds -	
Capital Projects Funds	309,174
Total City	16,953,487

Component Unit - School Board:

Operating	956,325
Grants	13,086,259
Cafeteria	7,617,091

Total component unit - School Board	21,659,675
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Total federal expenditures from Intergovernmental Revenue	38,613,162
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Less:	GF revenues in excess of expenditures	(65,220)
Less:	BHS revenues in excess of expenditures	(3,000)
Add:	VPA expenditures in excess of revenue	52,905
Add:	Grant expenditures in excess of revenues	9,446
Less:	Asset forfeiture revenues in excess of expenditures	(62,492)
Less:	CIP Fund revenues in excess of expenditures	(104,908)
Less:	Proprietary Funds revenue in excess of expenditures	(154,525)
Add:	CDBG expenditures in excess of revenues	44,656
Total federal expenditures per Schedule of Expenditures of Federal Awards		38,330,024

(4) Indirect Cost Rate

The city does not elect to use a 10% de minimis indirect cost rate allowed under section 2 CFR 200.331(a)(4).

CITY OF PORTSMOUTH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

1) Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued on the financial statements:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified:	Yes, Findings 2019-001 and 2019-002
Significant deficiencies identified:	Yes, Finding 2019-003
Noncompliance material to the financial statements noted?	No

Federal Awards:

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified:	No
Significant deficiencies identified:	Yes, Findings 2019-004, 2019-005 and 2019-006

Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance? **Yes**

Identification of major federal programs:

<u>Name of Program</u>	<u>CFDA #</u>
Department of Agriculture: SNAP Cluster	10.551-CL
Department of Education: Title I Grants to Local Education Agencies	84.010
Department of Health and Human Services:	
Medical Assistance Program - Medicaid Cluster	93.778-CL
Temporary Assistance for Needy Families Cluster	93.558-CL
Child Care and Development Cluster	93.575-CL
Social Services Block Grant	93.667
Adoption Assistance	93.659
Block Grants for Prevention and Treatment of Substance Abuse	93.959

Dollar threshold to distinguish between Types A and B Programs: **\$1,149,901**

The City of Portsmouth was qualified as a low risk auditee in accordance with Section 200.520 of the Uniform Guidance? **No**

CITY OF PORTSMOUTH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

2) Findings Related to Financial Statements Reported in Accordance with *Government Auditing Standards*

Finding: 2019-001

Type of Finding: Material Weakness over Financial Reporting

Criteria:

In accordance with accounting principles generally accepted in the United States of America, construction in process ('CIP') should consist of costs that are associated with constructing an asset and, when construction is completed, the assets should be placed in service and depreciated over the useful life of the asset.

Condition:

During our testing of CIP as of and for the year ended June 30, 2019, we identified that the City's initial governmental activities' CIP schedule included \$787,904 of expenditures incurred during fiscal year 2019 that did not meet the definition of items to be capitalized. Additionally, the schedule included approximately \$17.0 million of CIP, which should have been closed and depreciated in fiscal year 2019.

Cause:

During fiscal year 2019, the City's Finance Department incurred employee turnover resulting in the department being understaffed. The Finance Department staff did not have adequate resources to perform proper analyses of the CIP projects to determine the additions included in the current year schedule met the definition of items to be capitalized and to determine projects that were closed in the current year were properly placed in service.

Effect:

The City's capital asset balances required material adjustments to be properly reported at June 30, 2019.

Auditor's Recommendation:

We recommend the City continue to perform annual analyses of the projects included in CIP and meet with project managers who oversee the projects to ensure those amounts should be included in the account at the end of the year and not have been expensed or placed in service.

Management's Response:

The Finance Department agrees that an annual analysis is needed to ensure proper accounting as expense or capitalization. The challenges of staffing during this time will be met using whatever resources the City can obtain.

CITY OF PORTSMOUTH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

2) Findings Related to Financial Statements Reported in Accordance with *Government Auditing Standards* (continued)

Finding: 2019-002

Type of Finding: Material Weakness over Financial Reporting

Criteria:

In accordance with accounting principles generally accepted in the United States of America, expenditures/expenses should be recorded in the proper period and amounts paid after the end of the fiscal year that relate to the previous fiscal year should be properly accrued as a liability in the previous fiscal year.

Condition:

During our testing of expenditures/expenses paid subsequent to year-end, we identified \$1,306,266 of expenditures/expenses recorded in the wrong period.

Cause:

During fiscal year 2019, the City's Finance Department incurred employee turnover, which resulted in the department being understaffed. The Finance Department staff did not have adequate resources to perform proper analyses of the expenditures/expenses after year end to ensure they were recorded in the proper period.

Effect:

Failure to properly accrue expenditures/expenses at year end could result in the City's financial statements being materially misstated.

Auditor's Recommendation:

We recommend the City implement procedures to review expenditures/expenses paid after year-end to determine they are recorded in the proper period.

Management's Response:

The Finance Department agrees that its procedures need to be closely management so expenses are recorded in the proper period. The challenges of staffing during this time will be met using whatever resources the City can obtain.

CITY OF PORTSMOUTH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

3) Findings Related to Financial Statements Reported in Accordance with *Government Auditing Standards* (continued)

Finding: 2019-003

Type of Finding: Significant Deficiency over Financial Reporting

Criteria:

Bank accounts should be reconciled on a monthly basis.

Condition:

During our testing of cash and bank reconciliations, we identified that the City's initial bank reconciliations at June 30, 2019 for were not fully reconciled for two bank accounts. One account had unreconciled differences of \$572,392 and the other had unreconciled differences of \$384,770.

Cause:

During fiscal year 2019, the City's Finance Department staff who performs monthly bank reconciliations was out of work for multiple months and was unable to perform the bank reconciliations in a timely manner. When the staff returned they were unable to identify all differences that were accumulated for the months the reconciliations were not performed.

Effect:

The City's cash balances were not reconciled on a timely basis and unreconciled differences could have represented potential errors or fraudulent transactions in the cash balances at June 30, 2019.

Auditor's Recommendation:

We recommend the City ensure bank reconciliations are performed on a monthly basis. We also recommend the City cross-train employees to ensure if employees are unable to work for a significant period of time someone else is able to perform their work.

Management's Response:

The Finance Department agrees that cash reconciliations are critical to accurate control over financial reporting. The challenges of staffing during this time will be met using whatever resources the City can obtain.

CITY OF PORTSMOUTH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

4) Findings and Questioned Costs for Federal Awards

Finding: 2019-004

Program name: Child Care and Development Fund (CCDF) (CFDA # 93.596)

Federal Awarding Agency: Department of Health and Human Services (HHS)

State Awarding Agency: Virginia Department of Social Services (VDSS)

Department: Portsmouth Department of Social Services (DSS)

Compliance Requirement: Eligibility

Type of Finding: Significant Deficiency; Nonmaterial Noncompliance

Criteria:

Per Title 2 Subpart §200.303, the 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 be in compliance 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).

Per PDSS internal control policies and procedures, payments made on behalf of participants should only be made if there is a “Purchase of Service Order” (POSO) signed by both the local department representative and vendor to cover the time period of that payment.

Per Title 42 of the U.S. Code (USC) Section 9858, the local DSS must re-determine eligibility based on established eligibility period of at least 12 months.

Condition:

Of the twenty-five (25) beneficiaries that we tested, we noted:

- Two (2) instances where eligibility was not re-determined within the established 12-month period, and
- Two (2) instances where CCDF payments were made on behalf of participants, even though a “Purchase of Service Order” (POSO) signed by both the local department representative and vendor was not maintained to cover the time period of the payment.

Cause:

The performance of the re-determinations was delayed due to lack of resources to complete all required re-determinations in a timely manner. POSO’s were not retained in the file to support that a participant was eligible to receive CCDF payments on their behalf.

CITY OF PORTSMOUTH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

4) Findings and Questioned Costs for Federal Awards (continued)

Effect:

The DSS operated CCDF program was not in compliance with the eligibility compliance requirement as of June 30, 2019. Additionally, failure to re-determine eligibility on a timely basis or ensure services are authorized by appropriate personnel before making payments could result in CCDF benefits rendered to ineligible individuals.

Auditor's Recommendation:

We recommend DSS implement a process to monitor the status of upcoming re-determination deadlines in order to prioritize its heavy workload efficiently and that DSS continue to assess current staffing levels and implement a plan to address staff shortages. We also recommend DSS implement a process to ensure all relevant information for case records be properly scanned and stored in the electronic system for the proper length of time. Finally, we recommend eligibility workers ensure there is an approved POSO before making payments on behalf of a participant.

Questioned Costs:

None noted

Management's Response:

DSS Management currently monitor's re-determination due dates. Management has been counseled regarding adherence to the importance of adherence to re-determination deadlines. DSS has been working with City Human Resources and has developed a process to address filling vacant positions expeditiously. DSS has scanned all POSO's received prior to July 1, 2019 into VaCMS. As of July 1, 2019 vendor are no longer required to sign and return POSO's for payment. Once staff (Family Service Specialist) approves the case for eligibility in VaCMS, It is the responsibility of the vendor to submit a copy of their client attendance record to the state for payment.

Finding: 2019-005

Program name: Title I (CFDA # 84.010)

Federal Awarding Agency: Department of Education (DOE)

State Awarding Agency: Virginia Department of Education (VDOE)

Department: Portsmouth School Board (PSB)

Compliance Requirement: Special Tests and Provisions – Annual Report Card, High School Graduation Rate

Type of Finding: Significant Deficiency; Nonmaterial Noncompliance

CITY OF PORTSMOUTH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

4) Findings and Questioned Costs for Federal Awards (continued)

Criteria:

Per Section 1111(c)(2) of the Elementary and Secondary Education Act of 1965 (ESEA) an SEA and its LEAs must report graduation rate data for all public high schools at the school, LEA, and State levels using the 4-year adjusted cohort rate. To remove a student from the cohort, a school or LEA must confirm, in writing, that the student transferred out, emigrated to another country, transferred to a prison or juvenile facility, or is deceased. To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma. A student who is retained in grade, enrolls in a GED program, or leaves school for any other reason may not be counted as having transferred out for the purpose of calculating graduation rate and must remain in the adjusted cohort.

Condition:

Of the fourteen (14) students removed from the cohort tested, we noted two (2) instances where there was not adequate written documentation to support the removal of the student from the cohort.

Cause:

The guidance counselors did not receive and maintain the appropriate documentation to support the removal of the student or relied on verbal information without support.

Effect:

PSB is not in compliance with the Annual Report Card, High School Graduation Rate in ESEA Sections 1111(c)(2), 1111(h)(1)(C)(iii)(II) and 8101(25),(23).

Auditor's Recommendation:

We recommend PSB implement a process to educate staff on when they are allowed to remove a student as well as procedures to obtain and retain documentation to support the proper removal of students from the cohort.

Questioned Costs:

None noted

Management's Response:

We have hired a School Counseling Coordinator who will oversee all aspects of School Counseling to include enrollment/withdrawal processes. She has had individual conversations with the enrolling clerks and department directors at all high schools to discuss these three specific instances as well as best practices moving forward. She is also closely monitoring graduation cohorts and requiring these records requests to be filed as they are received.

CITY OF PORTSMOUTH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

4) Findings and Questioned Costs for Federal Awards (continued)

Finding: 2019-006 (Prior Year Audit Finding Number: 2018-004)

Program name: Temporary Assistance for Needy Families (TANF) Cluster (CFDA # 93.558)

Federal Awarding Agency: Department of Health and Human Services (HSS)

State Awarding Agency: Virginia Department of Social Services (VDSS)

Department: Portsmouth Department of Social Services (DSS)

Compliance Requirement: Special Tests and Provisions – Penalty for Refusal to Work

Type of Finding: Significant Deficiency; Nonmaterial Noncompliance

Criteria:

Per Title 45 of the Code of the Federal Regulation (CFR) Section 261.14, if an individual refuses to engage in work required under Section 407 of the Social Security Act, the agency must reduce or terminate the amount of assistance payable to the family, subject to any good cause or other exceptions the State may establish.

Condition:

Of the sixty (60) beneficiaries that we tested, we noted two (2) instances where benefits were not reduced for a beneficiary who did not work or participate in a job readiness program.

Cause:

The TANF Manual allows an exemption to the requirement to maintain employment or participate in a job readiness program if the caretaker is totally disabled and such a disability prevents the individual from being self-supporting. Management notes in these instances, the caretaker had previously been medically evaluated and determined to be disabled, but the caretaker's disability status was denied and terminated at a point before or during the current year. After the caretaker's disability status had been terminated, the caretaker did not maintain employment or participate in a job readiness program for the remainder of the year and TANF benefits were never reduced, suspended, or otherwise terminated.

Effect:

DSS was not in compliance with the penalty for refusal to work requirement as of June 30, 2019. Failure by DSS to reduce or terminate a participant's eligibility for benefits ultimately results in excess payments to the participant by the State.

Auditor's Recommendation:

We recommend DSS implement a process to monitor disabled status of participants to ensure each participant meets the requirement to work or participate in a job readiness program.

Questioned Costs:

None noted

CITY OF PORTSMOUTH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

4) Findings and Questioned Costs for Federal Awards (continued)

Management's Response:

DSS staff will enter into VaCMS the onsite and end date of the disability. At the end date of the disability VaCMS will send out task reminder for further staff follow up. It will also send out a task reminder to the staff's supervisor if the task has not been addressed.

Finding: 2019-007

Program name: Temporary Assistance for Needy Families (TANF) Cluster (CFDA # 93.558)

Federal Awarding Agency: Department of Health and Human Services (HHS)

State Awarding Agency: Virginia Department of Social Services (VDSS)

Department: Portsmouth Department of Social Services (DSS)

Compliance Requirement: Eligibility

Type of Finding: Nonmaterial Noncompliance

Criteria:

Per Title 42 of the US. Code (USC) Section 608, a state may not provide assistance for a minor child who has been or is expected to be absent from the home for a period of 45 consecutive days or, at the option of the State, such period of not less than 30 and not more than 180 consecutive days unless the state grants a good cause exception, as provided in its State Plan.

Condition:

Of the sixty (60) beneficiaries we tested, we noted one (1) beneficiary whose participant file did not contain sufficient information regarding the length of time a child was absent from the home.

Cause:

The beneficiary notated on their annual renewal application that one of the related children would be temporarily absent from the home. The DSS eligibility worker did not document the follow-up used to determine the length of time the child would be absent from the home in either the case notes or elsewhere in the file.

Effect:

The DSS operated TANF program was not in compliance with the eligibility compliance requirement as of June 30, 2019. Additionally, failure to follow up on the length of time the child was absent from the home could result in temporary assistance for needy families rendered to ineligible individuals.

Auditor's Recommendation:

We recommend DSS follow-up immediately when the caretaker informs DSS that the child is expected to be absent from the home for any length of time. We also recommend DSS employees clearly document the follow-up actions taken and how long the child is expected to be absent from the home.

CITY OF PORTSMOUTH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

4) Findings and Questioned Costs for Federal Awards (continued)

Questioned Costs:

None noted

Management's Response:

DSS management will provide a training for eligibility workers who process TANF cases on appropriate documentation related to a child's absence from home. DSS staff will set an alert in VaCMS to ensure the child's absence from the home does not exceed 60 days. This will result in a task reminder for staff for further follow up to ensure the child is removed from the case. The system will also generate a task reminder for management if the task has not been addressed by the staff.

Finding: 2019-008

Program name: Adoption Assistance – Title IV-E (CFDA # 93.659)

Federal Awarding Agency: Department of Health and Human Services (HHS)

State Awarding Agency: Virginia Department of Social Services (VDSS)

Department: Portsmouth Department of Social Services (DSS)

Compliance Requirement: Eligibility

Type of Finding: Nonmaterial Noncompliance

Criteria:

Per Title 45 of the Code of the Federal Regulation (CFR) Section 1356.30 and Title 42 of the US. Code (USC) Section 671, the prospective adoptive parent(s) must satisfactorily have met a criminal records check, including a fingerprint-based check. This involves a determination that such individual(s) have not committed any prohibited felonies. The prospective parent(s) and any other adult living in the home who has resided in the provider home in the preceding five years must also satisfactorily have met a child abuse and neglect registry check.

Condition:

Of the sixteen (16) beneficiaries that we tested, we noted two (2) instances where documentation was not maintained in the file to support that either a criminal records check or child abuse and neglect registry check had been performed for any of the adults in the household.

Cause:

Documentation was not retained in the file to support that criminal records check or child abuse and neglect registry check were performed for adults in the household, other than internal case notes stating that the checks had been performed.

CITY OF PORTSMOUTH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

4) Findings and Questioned Costs for Federal Awards (continued)

Effect:

The DSS operated Adoption Assistance program was not in compliance with the eligibility compliance requirement as of June 30, 2019. Additionally, failure to perform required criminal records checks or child abuse and neglect registry checks could result in Adoption Assistance rendered to ineligible individuals.

Auditor's Recommendation:

We recommend DSS implement a process to ensure all relevant information for case records be properly scanned and stored in the electronic system for the proper length of time.

Questioned Costs:

None noted

Management's Response:

The Department of Social Services is working with City IT to acquire the document imaging system called Laserfiche. Once the system is obtained, DSS will work with IT in ensuring client information is scanned and secured. DSS will train staff on how to utilize and scan case information in the system once it has been obtained.

5) Findings and Questioned Costs related to Compliance with Virginia Specifications

Finding: 2019-009 (Prior Year Audit Finding Number: 2018-005)

Department: Portsmouth Department of Social Services (DSS)

Compliance Requirement: Section 3-15 of the *Specifications for Audits of Counties, Cities, and Towns* (Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Type of Finding: Nonmaterial Noncompliance

Criteria:

Section 63.2 of the *Code of Virginia* requires the Local Department of Social Services maintain Computer Access Request Forms, documenting a user's access authority, which must be available for all users.

Condition:

While performing our audit procedures to ensure compliance with Section 3-15 of the Specifications, we identified three (3) employees in our sample of sixteen (16) that had user access to systems that did not match the Computer Access Request Forms.

CITY OF PORTSMOUTH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**5) Findings and Questioned Costs related to Compliance with Virginia Specifications
(continued)**

Cause:

The DSS Information Technology ("IT") Department is responsible for ensuring system privileges match the Computer Access Forms; however, in the cases noted, the IT Department did not ensure changes to system privileges were properly supported by Computer Access Request Forms before granting access to employees to those systems.

Effect:

The City is not in compliance with Section 63.2 of the *Code of Virginia* and is potentially at risk of employee(s) having access to systems that they do not need. Additionally, noncompliance may result in action by the Commonwealth of Virginia.

Auditor's Recommendation:

We recommend the DSS IT Department only make changes to system privileges if those changes are supported by Computer Access Request Forms. In addition, we recommend the DSS IT Department review individuals' system privileges on a recurring basis.

Management's Response:

IT will no longer grant system access to anyone without an approved Computer Access Request Form. System privileges will be reviewed on a quarterly basis to insure compliance.

CITY OF PORTSMOUTH, VIRGINIA
STATUS OF PRIOR AUDIT FINDINGS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Resolution of Prior Year's Findings and Questioned Costs Relating to Financial Statements Reported in Accordance with Government Auditing Standards

Finding 2018-001 – Material Weakness over Financial Reporting – Prior Period Adjustment

Status: Corrective action was taken. Finding not repeated in current year.

Finding 2018-002 – Significant Deficiency over Financial Reporting – Prior Period Adjustment

Status: Corrective action was taken. Finding not repeated in current year.

Resolution of Prior Year's Findings and Questioned Costs for Federal Awards

Finding 2018-003 – Material Weakness; Material Noncompliance Qualification

Status: Corrective action was taken. Finding not repeated in current year.

Finding 2018-004 – Significant Deficiency; Nonmaterial Noncompliance

Status: Finding repeated in the current year. See 2019-006.

Resolution of Prior Year's Findings and Questioned Costs Relating to Compliance with Commonwealth of Virginia Laws, Regulations, Contracts, and Grants

Finding 2018-005 – Nonmaterial Noncompliance – Social Services, Computer Access Forms

Status: Finding repeated in the current year. See 2019-009.

Finding 2018-006 – Nonmaterial Noncompliance – Social Services, Terminated Users

Status: Corrective action was taken. Finding not repeated in current year.

Finding 2018-007 – Nonmaterial Noncompliance – Statement of Economic Interest Forms

Status: Corrective action was taken. Finding not repeated in current year.

Finding 2018-008 – Nonmaterial Noncompliance – Stormwater Utility Reporting Form

Status: Corrective action was taken. Finding not repeated in current year.