

CITY OF PORTSMOUTH, VIRGINIA
SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2022



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**CITY OF PORTSMOUTH, VIRGINIA
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YEAR ENDED JUNE 30, 2022**

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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 Portsmouth, 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 Portsmouth (the City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 19, 2022.

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.

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 may exist that have not been identified.

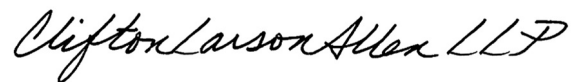
Honorable Mayor and Members of the City Council
City of Portsmouth, Virginia

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 or the Specifications*.

Purpose of this Report

The purpose of this communication is solely to describe the scope of our testing of internal control over financial reporting and the results of that testing. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting. 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

Arlington, Virginia
December 19, 2022



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

Honorable Mayor and 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, 2022. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' 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; 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 opinion on compliance for each 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, 2022.

Other Matters

The results of our auditing procedures disclosed an instance 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 item 2022-001. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on 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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002, that we consider to be significant deficiencies.

The City's response to the internal control over compliance findings identified in our audit is 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 their responses.

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 as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 19, 2022, 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.

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

CliftonLarsonAllen LLP

Arlington, Virginia
March 11, 2023

**CITY OF PORTSMOUTH, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor/Recipient State Agency/Program or Cluster Title	Assistance Listing Number	Pass-through Number	Pass-through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Pass Through Payments:				
Virginia Department of Health:				
Food Distribution	10.555	none	\$ -	\$ 8,902,621
Summer Food Service Program for Children (USDA)	10.559	60115	-	15,973
Summer Food Service Program for Children	10.559	none	-	340,073
Total Child Nutrition Cluster			-	9,258,667
Virginia Department of Social Services:				
Child and Adult Care Food Program	10.558	none	-	374,762
SNAP Cluster:				
State Administrative Matching for Supplemental	10.561	0050115, 0050116	-	2,299,855
Total SNAP Cluster			-	2,299,855
TOTAL U.S. DEPARTMENT OF AGRICULTURE			-	11,933,284
U.S. DEPARTMENT OF DEFENSE				
Direct Payments				
ROTC	12.000		-	214,804
TOTAL U.S. DEPARTMENT OF DEFENSE			-	214,804
U.S. DEPARTMENT OF EDUCATION				
Direct Payments				
Impact Aid	84.041	SB41B20175285		559,235
Pass Through Payments:				
Virginia State Department of Education:				
Adult Literacy Services- Federal	84.002	V002A160047	-	282,967
Title 1 Grants to Local Educational Agencies	84.010	S010A140046	-	6,375,187
Special Education Cluster:				
Special Education Grants to States	84.027	H027A160107	-	3,918,978
Special Education Preschool Grants	84.173	H173A150112	-	163,185
Subtotal Special Education			-	4,082,163
Twenty-First Century Community Learning Centers	84.287	S287C160047	-	416,264
Title 1 School Improvements	84.377	none	-	984
Vocational Education	84.048	V0489A150046	-	463,667
Upward Bound	84.047	P047A170117-17A	-	307,797
Education for Homeless Children and Youth	84.196	S196A160048	-	28,952
English Language Acquisition Grants	84.365	S365A150046	-	13,396
Improving Teacher Quality State Grants	84.367	none	-	800,973
COVID-19: Elementary and Secondary School Emergency Relief Fund (ESSER)			-	
COVID-19: ESSER GEER Wifi-Mifi	84.425C	S425C200042		179,503
COVID-19: ESSER 1 Funding	84.425D	S425D200008		1,362,765
COVID-19: ARP ESSER III	84.425U	S425U210008		9,940
COVID-19: ESSER McKinney_Vento	84.425W	S425W210008		8,200
Subtotal ESSER			-	1,560,408
Student Support and Academic Enrichment Grants	84.424	none	-	479,894
TOTAL U.S. DEPARTMENT OF EDUCATION			-	15,371,887

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CITY OF PORTSMOUTH, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor/Recipient State Agency/Program or Cluster Title	Assistance Listing Number	Pass-through Number	Pass-through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Pass Through Payments:				
Virginia Department of Social Services:				
Promoting Safe and Stable Families	93.556	0950114, 0950115	\$ -	\$ 72,644
Temporary Assistance for Needy Families Cluster:				
Temporary Assistance for Needy Families	93.558	0400115, 0400116	-	1,282,821
Subtotal Temporary Assistance for Needy Families Cluster:			-	1,282,821
Family Support Payments to States	93.667	1000115, 1000116	-	1,097,142
Child Welfare Services State Grant	93.645	0900115, 0900116	-	3,166
Refugee and Entrant Assistance	93.566	500116	-	6,255
Low Income Home Energy Assistance	93.568	600415	-	236,270
Child Care Cluster:				
Pass Through Virginia Department of Social Services:				
Child Care and Development Block Grant				
Child Care Mandatory and				
Matching Funds of the Childcare and Development Fund	93.596	0760115, 0760116	-	287,717
Total Child Care Cluster:			-	287,717
Medical Cluster:				
Medical Assistance Program	93.778	11200115, 11200116	-	1,209,019
Total Medical Cluster:			-	1,209,019
Chafee Education and Training Vouchers Program	93.599	9160015	-	368
Foster Care Title IV - E	93.658	1100115, 1100116	-	783,407
Adoption Assistance	93.659	none	-	1,071,767
Chafee Foster Care Independence Program	93.674	9150115, 9150116	-	18,292
Children's Health Insurance Program	93.767	0540115, 0540116	-	12,263
Virginia Department of Behavioral Health				
Pass-through Payments:				
Block Grants for Community Mental Health Services:				
MH FBG SED Child & Adolescent	93.958	SM010053-16	-	51,358
MH FBG SMI	93.958	SM010053-16	-	151,066
				202,424
Block Grants for Prevention and Treatment of Substance Abuse:				
SUD FBG Alcohol/Drug Treatment	93.959	T1010053-16	-	708,369
SUB FBG SARPOS	93.959	T1010053-16	-	84,205
SUD FBG Co-Occurring	93.959	T1010053-16	-	16,201
SUD FBG Women	93.959	T1010053-16	-	143,367
SUD FBG Prevention	93.959	T1010053-16	-	333,081
SUD Federal Opioid Response Year 2 - Treatment	93.788	SP020791	-	210,000
SUD Federal Opioid Response Year 2 - Recovery	93.788	SP020791	-	175,000
SUD Federal Opioid Response Year 2 - Prevention	93.788	SP020791	-	40,000
Projects for Assistance in Transition from Homelessness (PATH)	93.150	SM016047-16	-	55,560
				1,765,783
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			-	8,049,338
U.S. DEPARTMENT OF HOMELAND SECURITY				
Pass Through Payments				
State of Virginia Emergency Management				
Emergency Management Performance Grants	97.042	none	-	30,424
Homeland Security Grant Program	97.067	none	-	631
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			-	31,055

See accompanying Notes to Schedule of Expenditures of Federal Awards.

CITY OF PORTSMOUTH, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/Recipient State Agency/Program or Cluster Title	Assistance Listing Number	Pass-through Number	Pass-through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Payments:				
Continuum of Care Program	14.267	n/a	\$ -	\$ (797)
Community Development Block Grant Program, Entitlement Grants Cluster:				
Community Development Block Grant Program, Entitlement Grants - 80019	14.218	B-16-MC-51-0019	-	72,388
Community Development Block Grant Program, Entitlement Grants - 80020	14.218	B-18-MC-51-0019	-	115,839
Community Development Block Grant Program, Entitlement Grants - 80021	14.218	B-19-MC-51-0019	-	171,506
Community Development Block Grant Program, Entitlement Grants - 80022	14.218	B-20-MC-51-0019	-	470,441
Subtotal Community Development Block Grant Program, Entitlement Grants Cluster:			-	830,174
HOME - 81018	14.239	M-17-MC-51-0204	-	2,549
HOME - 81020	14.239	M-19-MC-51-0204	-	6,142
HOME - 81021	14.239	M-20-MC-51-0204	-	219,347
HOME - 81022	14.239	M-20-MC-51-0204	-	20,696
			-	248,734
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			-	1,078,111
U.S. DEPARTMENT OF JUSTICE				
Pass Through Payments:				
State of Virginia Department of Criminal Justice Services				
Equitable Sharing Program	16.922	none	-	43,132
Crime Victim Assistance	16.575	none	-	84,546
Bulletproof Vest Partnership Program	16.607	none	-	26,630
Edward Byrne Memorial JAG grant - FY19	16.738	none	-	12,875
Edward Byrne Memorial JAG grant - FY20	16.738	none	-	1,212
TOTAL U.S. DEPARTMENT OF JUSTICE			-	168,395
U.S. DEPARTMENT OF TRANSPORTATION				
Pass Through Payments:				
Virginia Department of Transportation				
Federal Transit Administration - Hampton Roads Transit:				
Highway Planning and Construction Cluster:				
Capital Improvements	20.205	290-8130	-	16,595
Transportation Alternatives Program Grant	20.205	state allocation	-	18,830
Safe Routes to School Funds	20.205	state allocation	-	1,245
			-	36,670
New Freedom Cluster:				
Selective Enforcement - DUI/Passenger	20.607	state allocation	-	3,680
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			-	40,350
U.S. DEPARTMENT OF TREASURY				
Direct				
COVID-19: Coronavirus Relief Funds (CRF):				
COVID-19: Coronavirus Relief Funds	21.019		-	553,823
COVID-19: Coronavirus State and Local Recovery Funds (CSLRF):				
COVID-19: Coronavirus State and Local Recovery Funds	21.027		-	12,206,202
TOTAL U.S. DEPARTMENT OF TREASURY			-	12,760,025
TOTAL FEDERAL ASSISTANCE			\$ -	\$ 49,647,249

See accompanying Notes to Schedule of Expenditures of Federal Awards.

CITY OF PORTSMOUTH, VIRGINIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards (the Schedule) are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards with the exception of Coronavirus State and Local Fiscal Recovery Funds (CSLFR) ALN# 21.027, which follows criteria determined by the Department of Treasury for allowability of costs. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 2 INDIRECT COSTS

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
YEAR ENDED JUNE 30, 2022**

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? _____ yes _____ x _____ 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 _____ no
 - Significant deficiency(ies) identified? _____ x _____ yes _____ none reported

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

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

Identification of Major Federal Programs

Assistance Listing Number(s)

21.027

84.425 C, D, U, W

84.010

Name of Federal Program or Cluster

COVID-19: Coronavirus State and Local Fiscal Recovery Funds

COVID-19: Elementary and Secondary School Emergency Relief Fund (ESSER)
Title I

Dollar threshold used to distinguish between Type A and Type B programs:

\$1,489,417

Auditee qualified as low-risk auditee? _____ yes _____ x _____ no

**CITY OF PORTSMOUTH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section II – Financial Statement Audit

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Major Federal Award Program Audit

Reference Number: 2022-001

Prior Year Finding: No

Federal Agency: U.S. Treasury

Federal Program: Coronavirus State and Local Recovery Funds (CSLRF)

Assistance Listing Number: 21.027

**Federal Identification
Award Number and Year:** None, March 3, 2021- December 31, 2024

Compliance Requirement: Allowable Costs and Activities

Award Year July 1, 2021-June 30, 2022

Type of Finding Significant Deficiency in Internal Control Over Compliance,
Other Matters

Criteria or specific requirement:

Compliance: Recipients may use CSLFRF payments for any eligible expenses subject to the restrictions set forth in sections 602 and 603 of the Social Security Act as added by section 9901 of the American Rescue Plan Act of 2021 (codified as 42 USC 802 and 42 USC 803 respectively).

21 U.S.C. § 812 - U.S. Code - Unannotated Title 21. Food and Drugs § 812. Schedules of controlled substances. There are established five schedules of controlled substances, to be known as schedules I, II, III, IV, and V. CSA identifies cannabis as schedule 1, despite studies finding it to have medical uses.

- (1) Schedule I:
- (A) The drug or other substance has a high potential for abuse.
 - (B) The drug or other substance has no currently accepted medical use in treatment in the United States.
 - (C) There is a lack of accepted safety for use of the drug or other substance under medical supervision.

Internal 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 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).

**CITY OF PORTSMOUTH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Condition:

The City used CSLRF funds to support the marketing and production of a Cannabis Summit which supported the use of cannabis. Although the use of cannabis is legal in the Commonwealth of Virginia and the summit was approved by the Commonwealth, cannabis is a schedule I controlled substance under the federal Controlled Substance Act (CSA).

Federal funds are not allowed to support activities that are illegal federal activity.

Context:

CLA noted two of five disbursements selected for testing were used to support the Cannabis Summit. CLA reviewed all CSLRF disbursements and noted that only two were made to support the Cannabis Summit.

Questioned costs:

\$130,000, relates to the total CSLRF used to support the Cannabis Summit.

Cause:

City obtained approval from the State to use the funds in support of the Cannabis Summit.

Effect:

Federal funds were used to support an illegal federal activity.

Recommendation:

We recommend that the City ensure that federal funds are used to support allowable costs and activities, and to determine when federal requirements may be more restrictive than the State or grantor' requirements.

Views of responsible officials:

The City agrees with the finding, see corrective action plan.

**CITY OF PORTSMOUTH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Reference Number: 2022-002

Prior Year Finding: NA

Federal Agency: U.S. Treasury

Federal Program: Coronavirus State and Local Recovery Funds (CSLRF)

Assistance Listing Number: 21.027

**Federal Identification
Award Number and Year:** None, March 3, 2021- December 31, 2024

Compliance Requirement: Allowable Activities

Award Year July 1, 2021-June 30, 2022

Type of Finding Significant Deficiency in Internal Control Over Compliance

Criteria or specific requirement:

Internal 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 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).

Condition:

The City purchased 4,429 \$100 gift cards for the Senior and ALICE programs. The gift card distribution records did contain all the required eligibility information but was not reconciled to the total gift card population as of June 30, 2022. The distribution record was completed and reconciled as of March 1, 2023; however, this was not timely for the fiscal year 2022 federal program audit.

Context:

None, the finding relates to the maintenance of records.

Questioned costs:

None noted.

Cause:

The City's initial response was to provide immediate financial assistance to the City's residents. As a result, the time to establish adequate internal controls that prevent and/or detect errors and irregularities was decreased.

Effect:

The City may be unable to support the allowability of activity supported by the gift cards.

Recommendation:

We recommend that the City review and evaluate procedures to ensure that the procedures over safeguarding assets, maintenance of records, and reconciliation of activity are consistently performed.

**CITY OF PORTSMOUTH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Views of responsible officials:

The City agrees with the finding, see corrective action plan.

**CITY OF PORTSMOUTH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

***Section IV – Findings and Questioned Costs Related to Compliance with Commonwealth of
Virginia Laws, Regulations, Contracts and Grants***

None