

Management
City of Norfolk, Virginia
Norfolk, Virginia

In planning and performing our audit of the financial statements of the City of Norfolk, Virginia (the City) as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, 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 opinion 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.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and other matters that are opportunities to strengthen your internal control and improve the efficiency of your operations. Our comments and suggestions regarding those matters are summarized below. This letter does not affect our report on the financial statements dated December 19, 2018, nor our internal control communication dated December 19, 2018.

Lack of a Service Organization Controls Report

The City does not receive a service organization controls report for Hampton Roads Sanitation District (HRSD). HRSD provides billing and collection services related to water, wastewater, refuse and stormwater utility billings for the City. A service organization report would provide assurance about the controls at HRSD relevant to security, privacy and confidentiality of information as well as to ensure there are controls around the processing of bills and collections. Additionally, a service organization report highlights user controls, which represent, at a minimum, controls for which the City is responsible to ensure that outsourced applications and data are protected adequately. We recommend management develop policies and procedures to obtain a service organization report from HRSD on a regular basis and review the report to ensure user controls are properly identified and implemented at the City.

Parking Ticket Revenue

The Parking Facilities Fund is not recording revenue and related bad debt expense for parking tickets that are deemed uncollectible. Instead, they are recording revenue for the difference between the receivable amount and the allowance for uncollectible accounts, which is not in accordance with generally accepted accounting principles (GAAP). While there is no effect on net position, we recommend management review its policies and procedures and make adjustments as necessary to record all revenue and related bad debt expense for parking tickets in accordance with GAAP.

Subsequent Disbursements and Cut-off of Accounts Payable

The City's procedures for reviewing subsequent payments after year-end to ensure completeness of accounts payable at the balance sheet date did not identify several invoices related to the General Fund and Water Utility Fund that were recorded in fiscal year 2019. These invoices should have been accrued back to fiscal year 2018. We recommend that management review the existing policies and procedures related to the recording of payables at year-end and make the necessary modifications to ensure accounts payable is properly recorded at year-end.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, and others within the City, and is not intended to be, and should not be, used by anyone other than these specified parties.

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

CliftonLarsonAllen LLP

Arlington, Virginia
December 19, 2018