

# **CITY OF NEWPORT NEWS, VIRGINIA**

## **COMPLIANCE REPORTS**

*As of and for the Year Ended June 30, 2025*

*And Reports of Independent Auditor*

**CITY OF NEWPORT NEWS, VIRGINIA**

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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 City Council  
City of Newport News, 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* 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 Newport News, Virginia (the “City”), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated November 26, 2025.

**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 City’s internal control. Accordingly, we do not express an opinion on the effectiveness of 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2025-001, that we consider to be a material weakness.

**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* or the Specifications.

**City’s Response to the Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City’s response to the finding identified in our audit and 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 the financial statements and, accordingly, we express no opinion on the response.

**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 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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Cherry Bekaert LLP*

Tysons Corner, Virginia  
November 26, 2025

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

To the Honorable Members of City Council  
City of Newport News, Virginia

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited the City of Newport News, Virginia's (the "City") compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget ("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, 2025. 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.

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, 2025.

#### ***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; 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 Auditor's 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 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.

#### ***Auditor's 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 generally accepted auditing standards, *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 generally accepted auditing standards, *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.

#### **Report on 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 required 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 *Auditor's 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

#### **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, 2025, and the related notes to the financial statements, which collectively comprise City's basic financial statements. We issued our report thereon dated November 26, 2025, which contained unmodified opinions on those financial statements. Our audit was performed 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.

**Purpose of This Report**

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.

*Cherry Bekaert LLP*

Tysons Corner, Virginia  
January 21, 2026

**CITY OF NEWPORT NEWS, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

YEAR ENDED JUNE 30, 2025

<u>Federal Granting Agency/Recipient State Agency</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Number</u>		<u>Federal Expenditures</u>	<u>Passed Through to Sub-Recipients</u>
DEPARTMENT OF AGRICULTURE					
Pass-through Payments:					
Child Nutrition Cluster					
Virginia Department of Agriculture:					
National School Lunch Program-Commodities	10.555	777-360-01; 777-360-03	\$ 8,683		
Virginia Department of Education:					
School Breakfast Program	10.553	777-360-01; 777-360-03	<u>296,679</u>		
Total Child Nutrition Cluster				\$ 305,362	\$ -
Supplemental Nutrition Assistance Program Cluster (SNAP)					
Virginia Department of Social Services:					
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	765-460-03; 765-460-06	<u>6,184,348</u>		
Total SNAP Cluster				6,184,348	-
TOTAL DEPARTMENT OF AGRICULTURE				<u>6,489,710</u>	<u>-</u>
DEPARTMENT OF THE COMMERCE					
Economic Development Cluster					
Economic Adjustment Assistance	11.307	01-79-15356	<u>211,474</u>		
Total Economic Development Cluster				211,474	-
TOTAL DEPARTMENT OF THE COMMERCE				<u>211,474</u>	<u>-</u>
DEPARTMENT OF DEFENSE					
Direct Payments:					
Community Investment Program	12.600	HQ00052210046		3,900,000	-
TOTAL DEPARTMENT OF DEFENSE				<u>3,900,000</u>	<u>-</u>
DEPARTMENT OF HOUSING & URBAN DEVELOPMENT					
Direct Payments:					
Community Development Block Grants Cluster Entitlements					
Community Development Block Grants	14.218		1,413,978		
COVID-19 - Community Development Block Grants - CARES	14.218		<u>239,482</u>		
Total Community Development Block Grants Cluster Entitlements				1,653,460	1,653,460
Home Investment Partnership Program					
COVID-19 - Home Investment Partnership Program - ARPA	14.239		308,239		
COVID-19 - Home Investment Partnership Program - ARPA	14.239		<u>119,973</u>		
Total Home Investment Partnership Program				428,212	428,212
Economic Development Initiative - Community Project Funding	14.251			764,342	-
Pass-through Payments:					
Virginia Department of Housing & Urban Development:					
Emergency Solutions Grant Program - Virginia Homeless Solutions Program	14.231	25VHSP035		35,200	-
HOPE VI Cluster					
Newport News Development & Housing Authority					
Choice Neighborhoods Implementation Grants	14.889	VA3F003CNG118	<u>1,434,063</u>		
Total HOPE VI Cluster				1,434,063	-
TOTAL DEPARTMENT OF HOUSING & URBAN DEVELOPMENT				<u>4,315,277</u>	<u>2,081,672</u>
DEPARTMENT OF JUSTICE					
Direct Payments -					
Edward Byrne Memorial Justice Assistance Grants	16.738			175,013	-
Congressionally Recommended Awards	16.753			63,729	-
Pass-through Payments:					
Virginia Department of Criminal Justice Service:					
Crime Victim Assistance - Victims of Crime Act (VOCA)	16.575	140-390-01		38,410	-
Byrne Formula Grant Program	16.579	140-390-01		63,917	-
Violence Against Women Formula Grants	16.588	140-390-01		258,084	-
Residential Substance Abuse Treatment for State Prisoners	16.593	530530		90,000	-
TOTAL DEPARTMENT OF JUSTICE				<u>689,153</u>	<u>-</u>
DEPARTMENT OF TRANSPORTATION					
Direct Payments:					
Safe Streets and Roads for All	20.939			103,157	-
Pass-through Payments:					
Virginia Department of Transportation:					
Highway Planning & Construction	20.205		4,276,621		
Highway Planning & Construction--Safe Routes	20.205	EN22121446	<u>8,097</u>		
Total Highway Planning & Construction				4,284,718	-
Virginia Department of Rail:					
Consolidated Rail Infrastructure and Safety Improvements	20.325			(39,655)	-
Highway Safety Cluster					
Virginia Department of Motor Vehicles					
State and Community Highway Safety	20.600	530-605-07	<u>44,686</u>		
Total Highway Safety Cluster				44,686	-
TOTAL DEPARTMENT OF TRANSPORTATION				<u>4,392,906</u>	<u>-</u>
Totals, page 1				<u>\$ 19,998,520</u>	<u>\$ 2,081,672</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**CITY OF NEWPORT NEWS, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**

YEAR ENDED JUNE 30, 2025

Federal Granting Agency/Recipient State Agency	Assistance Listing Number	Pass-Through Number	Federal Expenditures	Passed Through to Sub-Recipients
<b>DEPARTMENT OF THE TREASURY</b>				
Pass-through Payments:				
Virginia Department of Accounts:				
Virginia Department of Tourism-ARPA	21.027		\$ 54,818	
COVID-19 Coronavirus State and Local Fiscal Recovery Funds				
Virginia Department of Housing and Community Development (ARPA-SLFRF-MUAP)	21.027	25VMSSMARP	25,000	
COVID-19 Coronavirus State and Local Fiscal Recovery Funds				
Virginia's Attorney General's Office	21.027	22ARPA0012	156,362	
COVID-19 Coronavirus State and Local Fiscal Recovery Funds				
Virginia Department of Criminal Justice Service-ARPA	21.027	495825	21,149	
COVID-19 Coronavirus State and Local Fiscal Recovery Funds				
Virginia Department of Environmental Quality-ARPA	21.027		27,389	
COVID-19 Coronavirus State and Local Fiscal Recovery Funds				
Total Coronavirus State and Local Fiscal Recovery Funds			<u>\$ 284,718</u>	<u>\$ -</u>
TOTAL DEPARTMENT OF THE TREASURY			<u>284,718</u>	<u>-</u>
<b>DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>				
Direct Payments -				
Congressional Directives	93.493		470,805	-
Pass-through Payments:				
Child Care and Development Fund Cluster				
Virginia Department of Social Services:				
Child Care and Development Block Grant Act of 1990	93.575	765-452-15	(6,808)	
Child Care and Development Mandatory Matching Funds	93.596	765-460-03	442,602	
Total Child Care and Development Fund Cluster			435,794	-
Medicaid Cluster				
Virginia Department of Social Services:				
Medical Assistance Program - Title XIX	93.778	765-460-03	4,990,447	
Total Medicaid Cluster			4,990,447	-
Virginia Department of Social Services:				
Guardianship Assistance	93.090	765-460-03; 765-460-06	14,132	-
TITLE IV-E Prevention Program	93.472	765-460-03; 765-460-06	94,447	-
MaryLee Allen Promoting Safe and Stable Families	93.556	765-469-01	150,377	-
Temporary Assistance for Needy Families (TANF)	93.558	765-452-01; 765-460-03	2,450,603	
TANF - Healthy Families	93.558	765-460-03; 765-460-06	269,061	
TANF - Virginia First Cities TANF Grant	93.558	BEN1902414	456,701	436,653
Total TANF			3,176,365	-
Refugee and Entrant Assistance Program	93.566	765-460-03; 765-491-02	439,838	-
Low-Income Home Energy Assistance Program	93.568	765-460-03	431,391	-
Chafee Education and Training Vouchers Program	93.599	765-469-01	(1,820)	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	765-460-06	9,646	-
Foster Care - Title IV-E	93.658	765-469-01	1,957,029	-
Adoption Assistance Title IV-E	93.659	765-460-03; 765-469-03	2,340,326	-
Social Services Block Grant	93.667	765-469-01	2,125,937	
Social Services Block Grant	93.667	765-469-01	11,363	
Total Social Services Block Grant			2,137,300	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	765-460-03; 765-469-01	27,295	-
Children's Health Insurance Program (CHIP)	93.767	765-460-03	59,809	-
Maternal, Infant and Early Childhood Home (MIECH) Visiting Program	93.870	X10MC46898, 705A210080	418,061	
COVID-19 - Maternal, Infant and Early Childhood Home Visiting Program ARPA	93.870	6X11MC4527101	31,858	
Total MIECHV			449,919	-
TOTAL DEPARTMENT OF HEALTH & HUMAN SERVICES			<u>17,183,100</u>	<u>436,653</u>
<b>SOCIAL SECURITY ADMINISTRATION</b>				
Direct Payments:				
Disability Insurance / SSI Cluster				
Supplemental Security Income	96.006		17,900	
Total Disability Insurance / SSI Cluster			17,900	-
TOTAL SOCIAL SECURITY ADMINISTRATION			<u>17,900</u>	<u>-</u>
<b>DEPARTMENT OF HOMELAND SECURITY</b>				
Direct Payments:				
Port Security Grant Program	97.056		190,051	-
Pass-through Payments:				
Virginia Department of Emergency Management:				
Emergency Management Performance Grants	97.042	127-775-01	93,035	-
Building Resilient Infrastructure and Communities	97.047	FEMA-4411-DR-VA-0010	2,008,352	-
Homeland Security Grant Program	97.067	97-067	99,154	-
TOTAL DEPARTMENT OF HOMELAND SECURITY			<u>2,390,592</u>	<u>-</u>
Totals, page 2			<u>19,876,310</u>	<u>436,653</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 39,874,830</u>	<u>\$ 2,518,325</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**CITY OF NEWPORT NEWS, VIRGINIA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

YEAR ENDED JUNE 30, 2025

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**Note 1—Basis of presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the City of Newport News, Virginia (the "City"), except the Peninsula Airport Commission and the Newport News Public Schools ("NNPS"), which have separate reports in accordance with the Uniform Guidance. The information in this Schedule is presented on the modified accrual basis of accounting in accordance with the 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"). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

The City operates on a contractual basis with its grant partners except for its relationship with the Newport News Redevelopment & Housing Authority ("NNRHA") and NNPS on certain grants. NNRHA is a subrecipient of the City for the Community Development Block Grant Program (Assistance Listing Number ("ALN") 14.218), Community Development Block Grant Program-CARES (ALN 14.218), the Home Investment Partnership Program (ALN 14.239) and the Home Investment Partnership Program-ARPA (ALN 14.239). The amounts passed through to NNRHA for the Community Development Block Grant Program, the Community Development Block Grant-CARES, the Home Investment Partnership Program and the Home Investment Partnership Program-ARPA were \$1,413,978, \$239,482, \$308,239 and \$119,973, respectively. NNPS is a subrecipient of the City for the Virginia First Cities TANF Grant Program (ALN 93.558). The amount passed through to NNPS for that grant was \$436,653.

**Note 2—Relationship to basic financial statements**

Federal expenditures are reported in the City's basic financial statements as follows:

	<u>Federal Expenditures</u>
General Fund	\$22,005,241
Special Revenue Funds Capital Projects	4,276,621
Special Revenue Fund	13,592,968
Total federal expenditures	<u>\$39,874,830</u>

**Note 3—Indirect costs**

The City did not elect to use the 10% de minimis cost rate.

**CITY OF NEWPORT NEWS, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED JUNE 30, 2025

**Section I—Summary of Auditor’s Results**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

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

Noncompliance material to financial statements noted?  yes  no

**Federal Awards**

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

Noncompliance material to federal awards noted?  yes  no

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

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

Identification of major federal programs:

<b>Federal Assistance Listing Number</b>	<b>Name of Federal Program or Cluster</b>
12.600	Community Investment Program
14.889	Choice Neighborhoods Implementation Grants (Hope VI Cluster)
93.493	Congressional Directives
93.568	Low-Income Home Energy Assistance Program
93.658	Foster Care - Title IV-E
93.659	Adoption Assistance - Title IV-E
93.778	Medical Assistance Program – Title XIX (Medicaid Cluster)
97.047	Building Resilient Infrastructure and Communities

Dollar threshold used to distinguish between Type A and Type B Programs \$ 1,196,245

Auditee qualified as low-risk auditee  yes  no

**CITY OF NEWPORT NEWS, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

YEAR ENDED JUNE 30, 2025

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**Section II—Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards**

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**2025-001: Material Weakness – Internal Control over Financial Reporting – Annual External Financial Reporting in Accordance with Accounting Principles Generally Accepted in the United States of America (“U.S. GAAP”)**

**Criteria:** Management is responsible for preparing the financial statements in accordance with U.S. GAAP and to maintain accurate and complete subsidiary ledgers to support the fair and timely presentation of the City’s financial statements and to ensure accountability to the users of the financial statements.

**Condition:** Liabilities and expenses/expenditures related to self-insurance claims were overstated in prior years. As a result, the beginning net position and fund balance were restated in the amount of \$16,111,542.

**Cause:** Insufficient review of claims liabilities and expenditures by the City to ensure claims liabilities and expenditures only reflected the claims paid or payable as of year-end.

**Effect:** The City’s beginning net position, fund balance, liability, and expenditure amounts were misstated.

**Recommendation:** The City should review the claims liabilities and expenditures recorded annually to ensure balances only include claims paid or payable as of year-end.

**Views of Responsible Officials:** The City concurs with the finding and recommendation. Refer to the City’s corrective action plan for further details.

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**Section III—Findings and Questioned Costs Relating to Federal Awards**

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None reported.

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

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None reported.

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**Section V—Status of Prior Year Findings**

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None reported.



Department of Finance  
City of Newport News  
2400 Washington Avenue, 7th Floor  
Newport News, VA 23607

### Management Corrective Action Plan

#### **Finding 2025-001: Material Weakness – Internal Control over Financial Reporting – Annual External Financial Reporting in Accordance with Accounting Principles Generally Accepted in the United States of America (“US GAAP”)**

**Criteria:** Management is responsible for preparing the financial statements in accordance with U.S. GAAP and to maintain accurate and complete subsidiary ledgers to support the fair and timely presentation of the City’s financial statements and to ensure accountability to the users of the financial statements.

**Condition:** Liabilities and expenses/expenditures related to self-insurance claims were overstated in prior years. As a result, the beginning net position and fund balance were restated in the amount of \$16,111,542.

**Cause:** Insufficient review of claims liabilities and expenditures by the City to ensure claims liabilities and expenditures only reflected claims paid or payable as of year-end.

**Effect:** The City’s beginning net position, fund balance, liability, and expenditure amounts were misstated.

**Corrective Action:** The City has added additional procedures to its year-end close process to ensure that claims liabilities reported on the Balance Sheet and Statement of Net Position are only those that are related to claims actually incurred and unpaid as of year-end. These additional procedures include a tie-out of additional balance sheet accounts at year-end and journal entries to ensure the claims expenditures match the amounts actually paid or payable during the fiscal year.

Contact: Ned Smither, Interim Director of Finance

Expected Completion Date: All corrective actions have been implemented with the year-end close process for the fiscal year ended June 30, 2025.

If you have any questions, please contact Ned Smither at 757-926-8323 or by email at [smitheren@nnva.gov](mailto:smitheren@nnva.gov).