

CITY OF PORTSMOUTH, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

1. SUMMARY OF AUDITORS' RESULTS

- (a) The type of report issued on the basic financial statements: **Unqualified opinions**
- (b) Significant deficiencies in internal control were disclosed by the auditors of the financial statements:
Yes
- Material weaknesses: **Yes**
- (c) Noncompliance which is material to the basic financial statements: **No**
- (d) Significant deficiencies in internal control over major programs: **No**
- Material weaknesses: **No**
- (e) The type of report issued on compliance for major programs: **Unqualified opinion**
- (f) Any audit findings which are required to be reported under Section .510(a) of OMB Circular A-133: **No**
- (f) Major Programs:
- Temporary Assistance for Needy Families (CFDA No. 93.558)
 - Foster Care Title IV-E (CFDA No. 93.658)
 - Social Services Block Grant (CFDA No. 93.667)
 - Title I Grants (CFDA No. 84.010)
- (h) The dollar threshold used to distinguish between Type A and Type B programs is \$1,057,582.
- (i) The auditee qualified as a low-risk auditee.

CITY OF PORTSMOUTH, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

Year Ended June 30, 2008

2. FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

2008-1 Internal Control over Financial Reporting

Criteria:

Proper cutoff should be observed near fiscal year end to ensure all accounts payable are recorded in the appropriate period.

Condition:

While performing our audit procedures to test the completeness of accounts payable, we determined there were invoices received after year end that should have been accrued as accounts payable as of June 30, 2008.

Cause:

Several invoices were not properly accrued as accounts payable as of June 30, 2008 because they were received several weeks after the fiscal year end.

Effect:

Accounts payable and expenses were understated on the June 30, 2008 government wide financial statements.

Recommendation:

We recommend the Finance Department develop a formal system of review at year end to ensure invoices are posted to the correct period. This will allow the City to identify all invoices that need to be recorded as accounts payable and included when the government wide financial statements are prepared.

Management Response:

Finance management concurs with the finding. Management believes a contributing factor to this problem was unclear understanding of how the financial system handles cross-year processing of invoices; FY08 was the first year of system implementation. The Finance Department will continue to carefully review all invoices received subsequent to year end to ensure that payments are posted in the correct accounting period.

2008-2 Internal Control over Financial Reporting

Criteria:

Balances reflected on bank reconciliations should agree with the accounting system.

Condition:

While performing our audit procedures to test the accuracy of cash balances, we determined there were funds wired out at year end, which were properly accounted for in the bank reconciliations, but were not recorded in the accounting system as of June 30, 2008.

Cause:

Wire transfers were identified on the bank reconciliations but were not recorded in the proper period in the accounting system.

Effect:

The cash and accounts payable balances were overstated at June 30, 2008.

Recommendation:

We recommend the Finance Department develop a formal system of review to ensure cash balances on the bank reconciliations agree with cash balances in the accounting system.

Management Response:

Finance Management concurs with the finding. The Finance Department will continue to perform reviews of the bank reconciliations and the accounting system to ensure that account balances are properly stated.

3. FINDINGS AND QUESTIONED COSTS FOR MAJOR FEDERAL AWARDS PROGRAMS

None

4. FINDINGS AND QUESTIONED COSTS FOR STATE COMPLIANCE

2008-3 Child Welfare Trust Accounts

Criteria:

Unexpended special welfare funds and dedicated funds should be returned to individuals who leave the agency's custody, refunded to applicable funding sources, or escheated to the state.

Condition:

While performing our audit procedures to ensure compliance with the Social Services section 3-15 of the *Specifications for Audits of Counties, Cities and Towns*, we determined that unexpended funds were not being returned when individuals leave the agency's custody.

Cause:

When an individual is released from the agency's custody, the case workers are not notifying the person maintaining the special welfare trust accounts.

Effect:

The agency is holding funds for individuals who are no longer in the agency's custody.

Recommendation:

We recommend a procedure be put in place to ensure that the individual caseworkers notify the person maintaining the trust accounts when an individual is released from the agency's custody. This will allow the person maintaining the trust accounts to properly refund the unexpended funds to the proper source in a timely manner.

Management Response:

We concur with the findings. When error was pointed out during the audit, we immediately took corrective action. We do acknowledge and accept the auditors' finding. We are aware that; *unexpended special welfare funds and dedicated funds should be returned to individuals who leave the agency's custody, refunded to applicable funding sources, or escheated to the state.* This is not a finding that is identified in previous audits, as we have always met compliance. We will continue to ensure that this identified deficiency is not repeated. We are confident that once we have our full complement of financial staff, this type of issue will not surface in the future.