



FY2024 EXPENDITURE REVIEW

REPORT PERIOD: JULY 2023 - JUNE 2024

ISSUE DATE: December 4, 2025

Office of the City Auditor
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INTRODUCTION

July 1, 2023 – June 30, 2024

Purpose

- Conducted a thorough city-wide expenditure review.
- Identified any patterns or anomalies within the City's financial accounting system (AFMS) regarding expenditures that warranted further analysis.
- Evaluated the effectiveness of oversight and monitoring procedures that were implemented.

Scope: FY2024

- Expenditures processed through PRM, PRC, GAX, GAXEDI, and GAXBOFA in the city's AFMS.
- Personnel costs were excluded from the review;
- The work performed constituted a narrower scope compared to a **traditional** audit.

Methodology

- Expenditure reports were downloaded, sorted, summarized, and selected transactions compared for City Departments and vendors.

Objectives

- Identify potential risks, such as significant payments, frequent payments to **specific** vendors, manual disbursements, and broadly categorized accounts.
- Assess the accuracy of expense item classification, ensure proper support and correct posting to AFMS codes.
- Investigate the presence of data duplications, such as multiple vendor codes and names, and evaluate the effectiveness of the monitoring system in detecting duplicate payments.

INTERNAL CONTROLS

The City has effective internal controls in place over expenditures to reduce and mitigate the risk of fraud.

To prevent fictitious vendors from being added to the system-Segregation of duties

- Only the Accounts Payable section of the Finance Dept, using two-level approval and working with Purchasing, can create vendor accounts.
- Persons setting up vendors are not authorized to make payments.

To ensure one employee cannot post and approve purchases and payments-Segregation of Duties

- Departments process their own purchases up to certain limits and make the payments. For both purchases and payments, one person enters a transaction, another approves.

External auditors review the City's internal controls annually.

EXPENDITURES POSTING TYPES

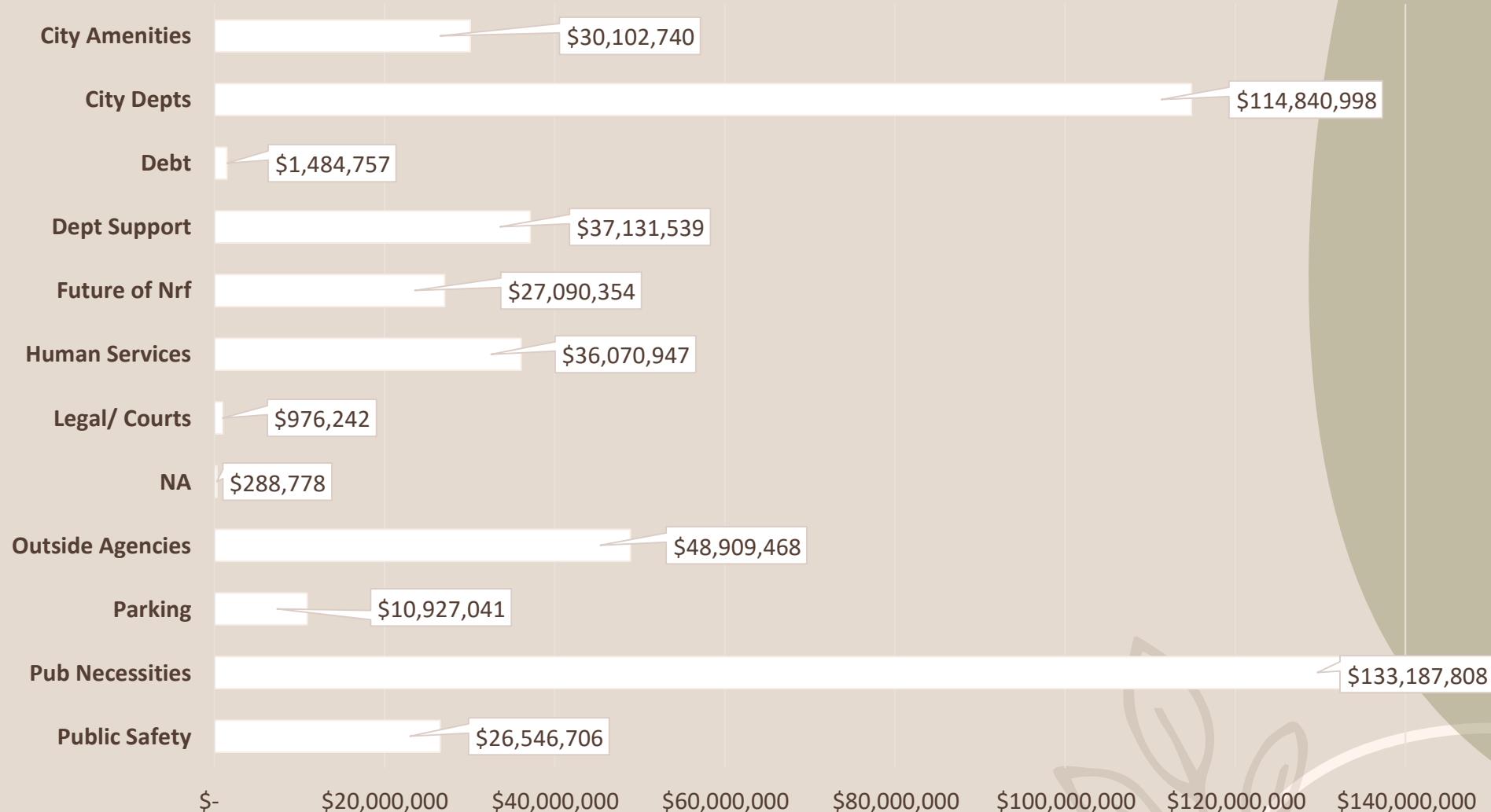
For the review, the following types of expenditure document codes were examined:



- PRM →
 - System-generated document which confirms source document data match prior to issuance of payment
- PRC →
 - Payment document for contract-based purchases
- GAX →
 - Payment document for non-purchase order or contract sourced purchases
- GAXEDI →
 - Electronic payment document (for electricity, natural gas and water and sewage charges, refuse and garbage disposal, and other contractual services)
- GAXBOFA →
 - Electronic payment document for City procurement card purchases

FY2024 EXPENDITURES

(FY2024 TOTAL OF \$468M DOES NOT INCLUDE PERSONNEL COSTS OF \$77M)



- **City Amenities** (Library, Cemeteries, Cultural Facilities Arts Entertainment, Recreation Parks and Open Spaces, Zoological Park, National Maritime Center, Neighborhood and Leisure Services)
- **Future of Norfolk** (City Council, Development, Housing and Community Development, Office of Resilience, Planning and Community Development, St. Paul's Transformation)
- **Public Necessities** (Public Works, Storm Water Management, Transit, Waste Management, Wastewater, Water)

ALL-PURPOSE APPROPRIATIONS

(object code #5501)

The purpose of this account is for expenditures that cannot be specifically classified, or a previous transaction history exists for its use.

Excessive use of Object code #5501, which does not appear to comply with the purpose of the account, included payments for:

Departmental Support

Capital Projects

Outside Agencies

Other Cost

- * promotional costs
- * copier
- * sponsorships
- * library programs
- * dog and cat sterilization surgeries
- * nuisance abatement

We noted excessive use on our previous four reviews (FY2020-FY2023); however, this practice has continued.



ALL-PURPOSE APPROPRIATIONS

(object code #5501)

	FY2024	FY2023	Increase (Decrease)
Others (See list on slide 9)	\$10,325,644	\$179,031	\$10,146,613
The National Maritime Center	5,139,444	-	5,139,444
Public Health	2,264,171	2,491,494	(227,323)
Public Works	1,665,338	684,802	980,536
Departmental Support	930,416	2,442,613	(1,512,197)
Neighborhood Development	666,830	288,372	378,458
Storm Water Management	405,404	191,510	213,894
Public Amenities	298,566	298,360	206
Neighborhood Preservation	117,696	155,064	(37,368)
Libraries	67,711	53,508	14,203
Development	-	<u>20,568</u>	<u>(20,568)</u>
Total	\$21,881,220	\$6,805,322	\$15,075,898

ALL-PURPOSE APPROPRIATIONS

(object code #5501)

Example Expenditures

Department	Purpose	FY2024	FY2023
The National Maritime Center	Nauticus Foundation FY24 CIP -WM Jordan, FY 2024 Nauticus Foundation CIP	5,139,444	-
Public Health	Annual funding-Local Health Dept, Vector Control	2,264,171	2,491,494
Public Works	Construction In Progress (CIP)	1,665,338	684,802
Departmental Support	CIP, Hampton Roads Workforce Council Grant, PICC Grant, United Way NFKThrive Grant	930,416	2,442,613
Neighborhood Development	Nuisance abatement, Amazon, (14) White Chevrolet Malibu, Joe and Joshs Batch July 24, 2023, Office Furniture, Sq Sweet Jam Café, Catalyst 9200L 48-Port POE	666,830	288,372
Storm Water Management	Capital projects	405,404	191,510
Public Amenities	NRHA – Tourism Dev Program	298,566	298,360
Neighborhood Preservation	Dog and cat sterilizations, emergency surgeries	117,696	155,064
Libraries	CIP, computer, books, 51 Hotspot Devices, DVD'S, Summer meal PRG books, Scanners	67,711	53,508
Development	Environmental - Phase I – Phase III	-	20,568

ALL-PURPOSE APPROPRIATIONS

(object code #5501)

Example Expenditures

FY2024 FY2023

Department	Purpose	Amount	Amount
Fire-Rescue	Travel, Smoke Alarms, Up Fitting of New Stock Engine, Food/snacks, Parking, (1) Ford Interceptor SUV for the Fire Department, SUPPLY HOSE, Public Education Supplies	115,973	26,629
Police	Emergency Lights for Grant Vehicles, (2) 2022/2023 Ford Transit T350 Extended Length Cargos, Transportation New Vehicles – GRANT, iVe Toolkit, Training, CIP, Gift cards, Rifle Mounts – Callis, Lodging, Food/Mailings/Event Supplies, Conference, purchasing gas for personal use.	505,467	8,941
Slover Library	Food for staff, supplies, snacks, SRP Programs	4,221	5,877
Transportation	Grabber tubes w/bases, Paper No Stopping Signs, Forklift Extensions, Amazon	3,181	6,308
Office of Grants Management	Kensington SmartFit Easy Riser notebook cooling pad	1,022	1,300
Recreation Parks and Open Space	Lunch, snacks, equipment, supplies, giveaways, boat slip, Disposal services, Verizon wireless, Conferences, end of the year party, iPad, teen party, tree diaper, Disposal services	24,108	77,954
City Attorney	Staff luncheons, office retreat, business meetings, Lawyers Weekly Newspaper, Daily newspaper, Dinners, Car washes, Richo, conferences, memberships, Over tipping, Alcohol purchases, extravagant meals.	40,128	52,022
Planning and Community Development	Wetland Violation Special Rev	19,144	
City Manager	Capital projects	9,612,400	

RECOMMENDATIONS



All-Purpose Appropriations: Address the misuse of Object Code #5501 for better expense classification.

Recommendation #1

- Usage of the All-Purpose Appropriations #5501 account should be reviewed and strictly limited.
(Departments have become accustomed to using this non-descriptive account.)

Recommendation #2

- The classification (object code) of expenditures should comply with the City of Norfolk Chart Of Accounts (COA) to provide accountability and transparency of City funds.

Recommendation #3

- The city credit card should not be used for inappropriate expenditures, including the purchase of alcohol, excessive tipping, extravagant meals, or meals lacking proper documentation.

Recommendation #4

- When Council Appointees use their city-issued credit card to advance the City's future initiatives and developments with potential business partners, it is possible that deviation from the City's Food Policy (5.37) II., 2.1 Business Meals could occur, and should be allowed. At the same time, these instances should be rare and uncommon. Appropriate justification must be documented and submitted promptly, along with valid, detailed, and itemized meal receipts, as well as a listing of participants. This documentation is also required for the city to maintain an "accountable" IRS plan, which allows meal reimbursements to employees to be non-taxable. Without it, the city plan can be deemed to lack an accountable plan, in which case all reimbursements to employees become taxable. Further, tips/gratuities for meals should be limited to no more than 20%.

Note: This highlights a recurring issue with code misuse. Departments have been informed multiple times with limited improvement, indicating a potential need for corrective actions such as additional training or stricter enforcement. Departments have been advised of the misuse of the City credit card purchases.

OUTSIDE AGENCIES

(DEPT #18)

(All-Purpose Appropriations Obj code #5501)

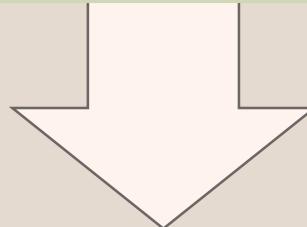
TOP TEN HIGHEST FUNDED OUTSIDE AGENCIES	FY2024	FY2023
Transportation District of Hampton Roads	21,401,031	20,435,705
Norfolk Convention and Visitors Bureau	3,753,147	4,716,777
Norfolk Festevents Ltd	3,060,024	8,360,025
NRHA	2,923,465	2,805,978
Chrysler Museum Inc.	2,753,955	3,627,396
Hampton Roads Regional Jail	2,461,748	6,117,457
Downtown Norfolk Council	2,329,969	2,106,930
Virginia Arts Festival	1,169,347	1,111,183
Norfolk Botanical Garden	1,110,052	1,110,053
Economic Development Authority of the City of Norfolk	1,108,004	990,901

OUTSIDE AGENCIES

(DEPT #18)

Outside Agencies Total Expenditures FY24 = \$48.9M

100% (\$51.3M) was for *All Purpose Appropriations*



Agencies are required to report operational and financial performance to the City for supporting the budget allocation process

The Office of Budget and Strategic Management (Budget Office) is responsible for monitoring outside agencies performance measurements



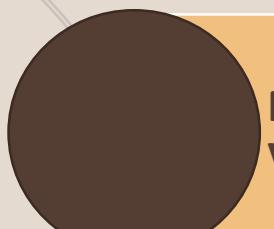
RECOMMENDATIONS

Outside Agencies (Dept #18)

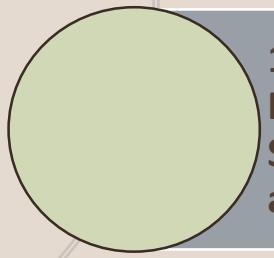
Recommendation

- The Budget Office should use the financial (IRS Form 990 and Audited Financial Statements) and performance reports submitted by the outside agencies to the City to evaluate and assess the existence and capability of agencies' fundraising and/or revenue-generating activities when proposing budget appropriations to the City Council.
- Agency fundraising / revenue-generating activities can potentially reduce the amount the City provides as subsidy funding.

GAXEDI ELECTRONIC PAYMENT DOCUMENT



More efficient electronic invoicing and payment process from Dominion Energy, HRSD and Virginia Natural Gas



14 Departments participate: General Services, Public Utilities, Transportation, Parking Facilities, Cultural Facilities Arts Entertainment, Fire-Rescue, The Department of Parks & Recreation (P&R), Public Works, Sheriff, Human Services, Police, Zoological Park, Norfolk Community Services Board and Communications and Technology

FY2024 Electricity charges = \$21.7M, \$20.7M (95.5%) was processed electronically



Continued Progress

Finance Department should continue expansion of electronic receipt and payment processes for vendor invoices (GAXEDI)

Benefits include reduction/elimination of late fees through

- Elimination of paper invoicing and need for manual entry
- More efficient and timely payment; continue reduction in late fees
- Online data availability providing more effective review, monitoring, and control

GAXEDI

Continued progress

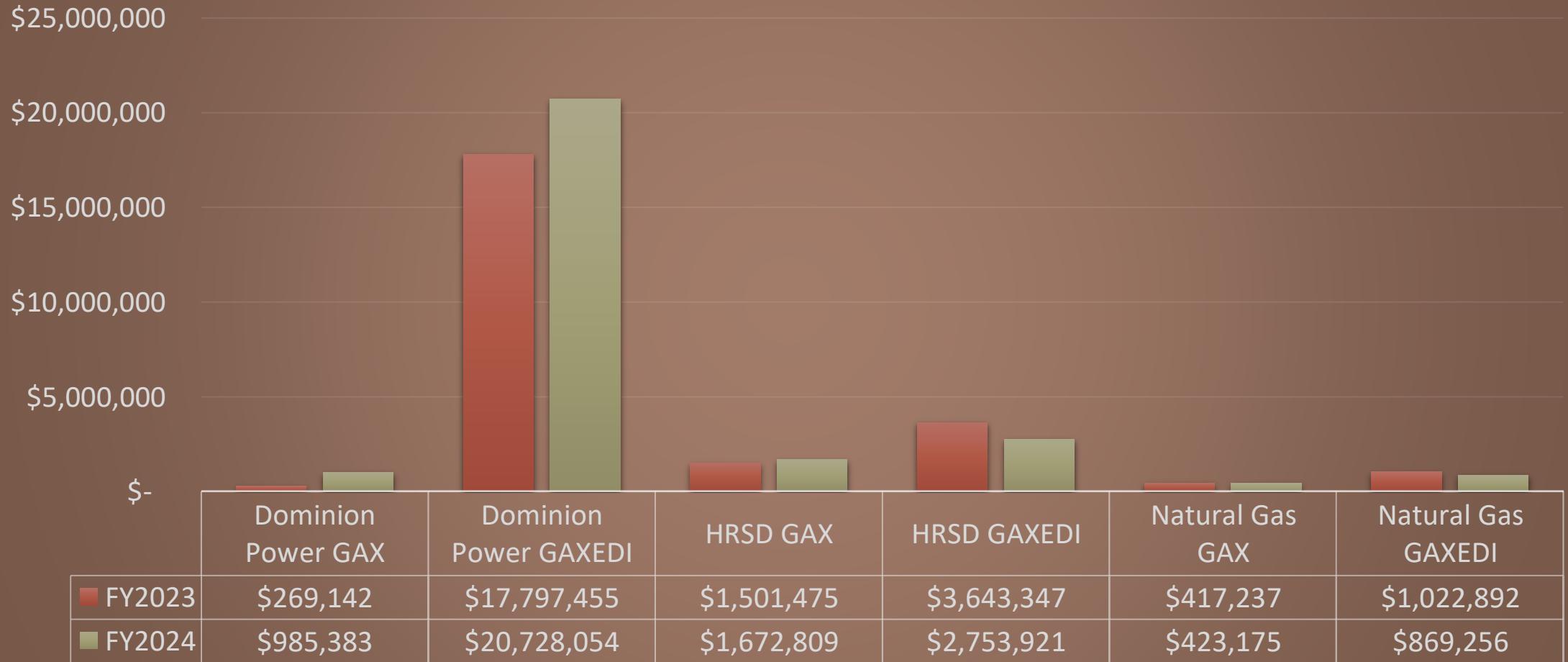
	Dominion VA Power		HRUBS - HRSD		Virginia Natural Gas		
<u>FY2024</u>	5290 - Electricity	%	5374 - Water and Sewer	%	5287 - Natural Gas	%	Total
Paid on GAX	\$985,383	4.5%	\$1,672,809	37.8%	\$423,175	32.7%	\$3,081,367
Paid on GAXEDI	20,728,054	95.5%	2,753,921	62.2%	869,256	67.3%	\$24,351,231
Total	\$21,713,437		\$4,426,730		\$1,292,431		
<u>FY2023</u>	5290 - Electricity	%	5374 - Water and Sewer	%	5287 - Natural Gas	%	Total
Paid on GAX	\$269,142	1.5%	\$1,501,475	29.2%	\$417,238	29%	\$2,187,855
Paid on GAXEDI	17,797,455	98.5%	3,643,347	70.8%	1,022,892	71%	22,463,694
Total	\$18,066,597		\$5,144,822		\$1,440,130		



GAXEDI

Continued progress

GAXEDI – Continuous Improvement



MANUAL DISBURSEMENTS (MD)

- MDs require the intervention of Finance personnel and used only in emergency or other special circumstances such as AFMS technical issues.
- For FY2024, the City issued \$1,078,357 in payments via this method – FY2023 amount was \$2,696,184
- The table is the summary of amounts posted in FY2024 as Manual Disbursements



Reason	# Payments	Total Amount
AFMS Technical Issues	10	\$402,452
Emergency Payments	13	294,605
Overdue Payment	1	891
Reissued Payment	1	151,980
Urgent Payments	15	228,429
Total		\$1,078,357



- **Technical system issue**
 - ❖ System did not generate checks as scheduled – document exception issue
- **Urgent payment required**
 - ❖ Payment deadline did not permit payment with scheduled check run

SWaM (Small, Women-owned and Minority owned Business)

The City uses Sysoft, a third-party vendor to assist with monitoring and tracking minority spending. During our expenditure review, our analysis of diversity spending revealed the following:

FY2024 – the City of Norfolk expended 0.92% to Women-Owned and 0.46% to Minority-Owned businesses.

- *These amounts fall below the City Council's targets of 12% and 13% respectively for FY2024 and is less than FY2023 1.16% to Women-Owned and 0.61% to Minority-Owned businesses.*

Vendor Expenditure Classification Issue:

- Purchases from vendors with multiple certifications were reported under multiple categories which were then added to result in an overstated total amount.
- Reported total spending: \$29,030,875
- Inclusion of multiple certifications, these figures were inflated by \$16,311,861
- Actual FY2024 spending: \$12,719,014

Omission in Reporting:

- Expenditures related to specific certifications were omitted.
- Unreported amount: \$565,579 for FY2024 related to the Economically Disadvantaged Women-Owned Small Business and Federal Service-Disabled Veteran-Owned Disabled Veteran Owned certifications

RECOMMENDATION

SWAM Reporting Improvements: Address discrepancies in diversity spending reports and improve accurate vendor certification reporting with Sysoft, the third-party vendor monitoring diversity spending.

1. The City should designate a department to work with Sysoft to update the software so that expenses are accurately reflected based on the vendor's certification.
2. Departments should increase their use of SWAM vendors to meet the City Council's target.

Note: *The City has utilized Sysoft for approximately three years, and while it remains a relatively new addition, there are ongoing efforts to address operational challenges.*

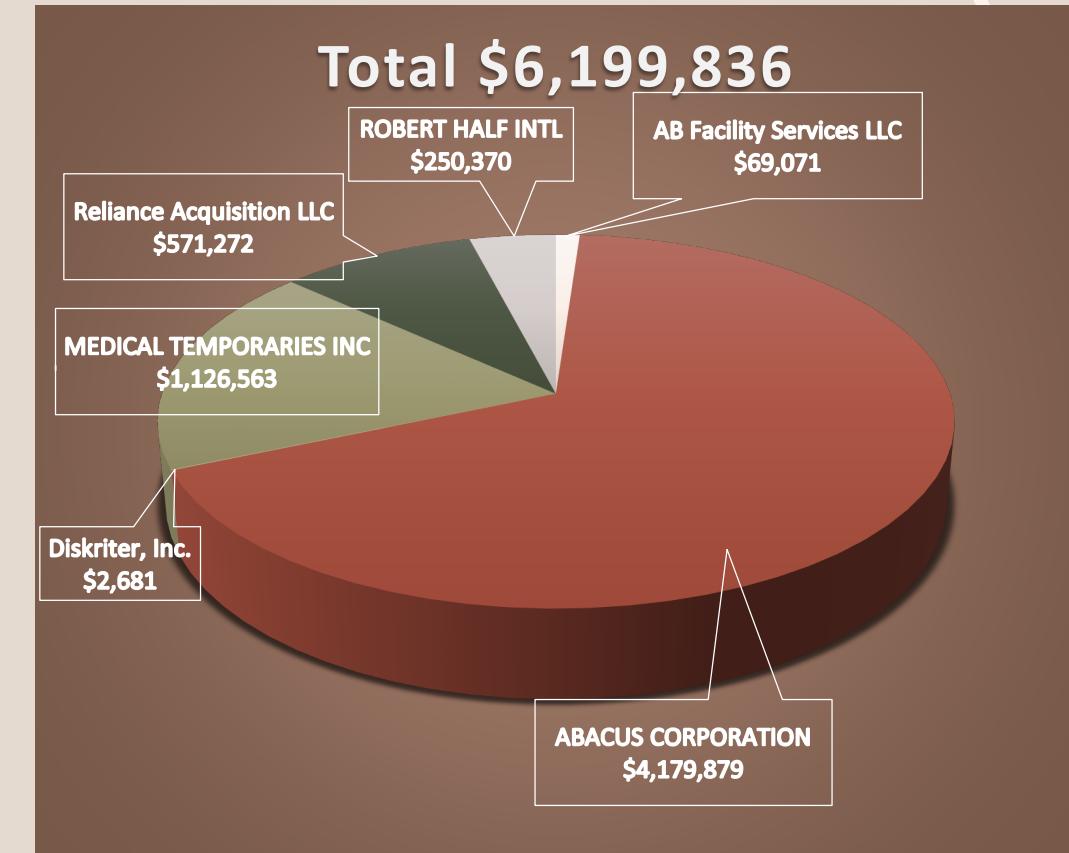
We noted this on our previous reviews (FY2022-FY2023); however, we have not noticed any changes in the software.



TEMPORARY EMPLOYEE AGENCIES BY DEPARTMENT

Top 10 Expenditure Amounts

<u>Departments</u>	<u>Amounts</u>
Norfolk Community Services Board	2,161,351
Parking Facilities Fund	978,669
Human Services	650,660
The Department of Parks & Recreation (P&R)	576,742
Water	525,994
Storm Water Management	197,047
General Services	194,274
Neighborhood Development	169,231
Waste Management	159,451
Finance Department	117,139



TEMPORARY EMPLOYEE AGENCIES

WE REVIEWED EMPLOYEES HIRED THROUGH A TEMPORARY AGENCY TO ENSURE COMPLIANCE WITH CITY POLICY AND VENDOR CONTRACTS. WE FOUND A TOTAL OF THIRTY-ONE EXCEPTIONS PLUS THIRTEEN TIMES THE OBJECT CODE WAS USED INCORRECTLY, INCLUDING THE FOLLOWING:

	FY24	FY24
The Manager could not confirm the signature on the timesheet	2	\$1,318
The Supervisor did not sign the timesheet	1	381
Supervisors from the City of Norfolk Misclassification the job title	1	841
The vendor contract omits temporary employees' job titles	4	2,834
Pay rate exceeds contract rate	13	8,694
City employee incorrectly completed a timesheet and signed it	1	1,135
Temporary employees failed to sign a timesheet	1	381
Discrepancy between reported and worked hours	3	4,195
Temporary employees worked OT	6	1,219
Temporary employees worked on a City holiday	6	2,026
Departments are using Temporary employee object code in error.	13	44,483
TOTAL		\$67,507

RECOMMENDATIONS



Recommendation 1:

Standardize Timesheet and Approval Processes

Require all temporary employee timesheets to be signed by both employee and supervisor. Implement electronic timesheet systems with built-in validation.

Recommendation 2:

Review and Update Vendor Contracts

Ensure all vendor contracts include detailed job titles and pay rates for temporary positions. Conduct periodic contract reviews for compliance.

Recommendation 3:

Monitor Object Code Usage

Provide training on correct object code usage for temporary employees. Audit object code assignments regularly and correct errors promptly.

Recommendation 4:

Address Pay Rate and Work Hour Discrepancies

Enforce strict adherence to contract rates and require justification for overtime or holiday work. Investigate discrepancies between reported and actual hours worked.

TRAVEL EXPENSES



We examined travel expenses to determine compliance with the City of Norfolk travel policy and identified nineteen exceptions in the following areas.

2.1 – Travelers are responsible for timely submission of all required paperwork upon return from their travel.

Responsibilities:

2.2 – Supervisors are responsible for ensuring compliance with this travel policy and that all required documentation is accurate and submitted in a timely fashion to the Department of Finance.

TRAVEL EXPENSES

Mileage Reimbursement: City Travel Policy - 5.1 Private Automobile

5.1.1 - Mileage shall be documented through the use of independent documentation (MapQuest, Google, etc.) of the length of the trip from the employee's normal work location to the destination and back or from the employee's home to the destination and back, whichever is less.

FY24

- Compliance Issues
 - No exceptions for mileage reimbursement.

TRAVEL EXPENSES

Per Diem: City Travel Policy - 5.3 Meals

5.3.1 - Meals will be reimbursed on a Per Diem basis using the IRS guidelines for reimbursement in the destination city. Individual meal reimbursement amounts are located in the link below and dependent upon the destination of travel.

5.3.3 - When meals are provided at no cost in conjunction with travel events, the applicable Meals and Incidental Expenses (M&IE) per diem reimbursement rate shall be reduced by the amount shown for the applicable meal in the M&IE Rate Table on the website.

FY24

Misuse of Funds (7 exceptions)

- Employees overpaid per diem.
- Employee used the city BOA credit card to purchase food while traveling.

TRAVEL EXPENSES

Air Fare: City Travel Policy - 5.1 Air or Train

5.1.3 – The fare of commercial transportation on any trip should not exceed the lowest available standard economy fare except when an economy fare is not available.

FY24

- Travel Compliance Issues (3 exceptions)
 - Employees are not selecting economic seats and are upgrading seats charging it to the City of Norfolk credit card.

TRAVEL EXPENSES

Lodging: City Travel Policy - 5.2 Lodging

2.1 – Travelers are responsible for timely submission of all required paperwork upon return from their travel.

FY24

- Compliance Issues
 - No exceptions for lodging.

TRAVEL EXPENSES

FY24

Non-Compliant Travel Transactions - transactions identified outside of travel guidelines

- Toll charges
- Purchase of tools
- Fuel for Fleet vehicles
- Amazon purchases
- 7-Eleven purchases
- Printing services
- Graphic design signs
- Purchasing food and approving transactions without reviewing it
- Not including receipts in AFMS



RECOMMENDATION

Recommendation 1:

Require Complete Documentation

All travel expense submissions must include independent mileage verification (e.g., MapQuest, Google Maps) and original receipts for all claims, as required by policy.

Recommendation 2:

Mandate Economical Choices

Employees must select the most economical travel options for airfare, car rentals, and lodging. Upgrades or premium selections are only permitted with documented business justification.

Recommendation 3:

Enforce Per Diem and Credit Card Rules

Per diem reimbursements must follow IRS guidelines and be reduced when meals are provided at no cost. City credit cards may not be used for food purchases when per diem is claimed, nor for unallowable expenses.

Recommendation 4:

Strengthen Supervisor Oversight

Supervisors must ensure all travel documentation is accurate, complete, and submitted promptly to the Department of Finance. Supervisors must certify compliance with the travel policy before approving reimbursements.

Recommendation 5:

Clarify and Audit Allowable Expenses

Prohibit purchases outside travel guidelines (e.g., tolls, tools, fleet fuel, Amazon purchases) require all receipts to be included in AFMS. Conduct periodic audits to identify and address non-compliant transactions.

THANK YOU

If you have any questions, I can be reached at
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