



VIRGINIA BEACH CITY PUBLIC SCHOOLS

CHARTING THE COURSE

MEMORANDUM

TO: Audit Committee of the School Board of the City of Virginia Beach

FROM: Karen W. Woodson, CIA, CFE ^{KW}
School Board Internal Auditor, Department of Internal Audit

SUBJECT: **Ventilation Improvement Projects Grant Audit**

DATE: April 9, 2026

BACKGROUND

As part of the approved Audit Work Plan, the Department of Internal Audit (IA) performed a Ventilation Improvement Projects Grant Audit. The Coronavirus State and Local Fiscal Recovery Funds program, authorized by the American Rescue Plan Act, provided the State of Virginia funds to support the COVID-19 public health emergency. The Virginia General Assembly appropriated a portion of the funds for qualifying public school ventilation replacement and improvement projects. Virginia Beach City Public Schools (VBCPS) was awarded funding totaling \$13,016,072.00 from the HVAC Replacement and Improvement Grant (Grant) from the Virginia Department of Education (VDOE). The Grant agreement requires VBCPS to match the award with \$13,016,072.00 of local funds. These funds are being used to improve three elementary schools, one middle school and three high schools. To date, six of the seven schools have been completed, and one is nearing completion.

The Executive Director of the Office of Facilities Services (Facilities), within the Department of School Division Services, is the grant administrator and has the responsibility of ensuring compliance with all Grant requirements. In addition, Facilities is responsible for procurement for all construction projects. The Grants Manager in the Office of Budget Development (Budget) is responsible for review and approval of grant applications and for development of the Grant budget. The Grant Principal Accountant and the Financial Management Specialist, both in the Office of Business Services (OBS), assist with and process financial transactions for grants and construction projects respectively.

AUDIT OBJECTIVES, METHODOLOGY, RESULTS AND CONCLUSIONS

Inquiry and examination of documents and data, as well as interviews were the methods of reviewing internal controls. The audit period was January 1, 2022, through December 31, 2025. IA reviewed all transactions related to the Grant and the required local match. No sampling methodology was used in this audit.

AUDIT OBJECTIVES, METHODOLOGY, RESULTS AND CONCLUSIONS, CONTINUED

IA conducted this audit to determine compliance with Grant and VBCPS requirements. The audit objectives, methodology, results and conclusions are as follows:

1. Objective: Determine compliance with the Grant requirements as follows:
 - Allowable Costs – Expenses allowed must be for the replacement and improvement of approved school building ventilation systems;
 - Matching Funds – The recipient must match 100% of the Grant with local funds;
 - Period of Performance – Funds must be encumbered by July 1, 2024 and spent by December 31, 2026, and reimbursement requests are due by December 31, 2026;
 - Procurement/Suspension/Debarment – Recipient must have procurement policies in place that comply with Uniform Guidance 2 CFR 180 Subpart C, which prevents agreements with debarred or suspended parties; and
 - Federal Funding in Public Announcements – Bid solicitations and other public statements must include the percentage and dollar amount of federal and non-federal money used to fund the project.

Methodology:

- A) IA reviewed financial reports, purchase orders and vendor invoices in Oracle, VBCPS' financial system, to determine if all expenditures complied with the Grant requirements for allowability, period of performance and matching funds. IA traced reimbursement requests submitted to VDOE to confirm they were received and recorded in Oracle.

Results:

- All expenditures reviewed were allowable based on the purpose of the Grant and were for approved HVAC projects at Pembroke Elementary School, Trantwood Elementary School, Corporate Landing Elementary School, Corporate Landing Middle School, Landstown High School, First Colonial High School and Kempsville High School.
 - IA determined that \$12,795,699.01 of Grant funds were expended and the remaining \$220,372.99 were encumbered within the period of performance. Reimbursements totaling \$12,080,365.43 have been submitted and received through the audit period.
 - IA noted that a reimbursement of \$607,022.99 was submitted and payment was received in January 2026, after the audit period. An additional \$108,310.59 is awaiting reimbursement. (\$108,301.78 retainage and \$8.81 expense reclassification)
 - IA determined that local fund expenditures for approved projects totaled \$14,404,282.66, which exceeds the Grant requirement.
- B) IA reviewed policies and procedures requiring VBCPS to prevent agreements with parties that are debarred or suspended from participating in federally funded programs. IA reviewed the System for Award Management exclusion list to determine if any Grant project vendors used in these projects had been debarred or suspended.

Results: IA determined Budget's *Grants Manual* includes procedures to verify that a vendor is not debarred/suspended. IA determined that none of the

AUDIT OBJECTIVES, METHODOLOGY, RESULTS AND CONCLUSIONS, CONTINUED

vendors used in the projects were listed as debarred or suspended.

- C) IA reviewed the Advertisement for Bid for the seven Grant projects posted on DemandStar, an online hub for posting bids for procurement, to determine if they included the percent or dollar amount of federal or non-federal funding.

Results: IA determined that none of the advertisements for the Grant projects included required information about the projects' funding source.

Conclusion: VBCPS is compliant with the allowable costs, matching funds, period of performance and procurement/suspension/debarment requirements of the Grant. \$220,372 of grant funds must be spent and reimbursed by December 31, 2026. An additional \$108,310.59 of retainage must be released and submitted for reimbursement by December 31, 2026. VBCPS did not comply with the Federal Funding in Public Announcements Grant requirement.

2. Objective: Determine if Grant/local expenditures were processed according to VBCPS policies.

Methodology:

- IA reviewed the approval path in Oracle to determine if purchase orders were approved by the signature authority and Grant administrator;
- IA compared the payment dates to the invoice date to determine if the payment was made timely;
- IA reviewed each invoice to determine if the calculation of the amount due was free from mathematical errors;
- IA compared the vendor and dollar amount of the invoices to the payment in Oracle to determine if they match; and
- IA reviewed invoices over \$10,000 to ensure the approval path in Oracle included the Office of Procurement Services (OPS) or OBS, that procurement guidelines were met and that the invoice amount matches the terms of the contract, if applicable.

Results:

- All expenditures were approved by the signature authority and Grant administrator, were paid timely, were free from mathematical errors and the vendor and dollar amount matched the payment in Oracle; and
- All invoices reviewed over \$10,000 were approved by OPS or OBS and amounts matched the terms of the contract, as applicable.

Conclusion: All Grant/local expenditures were processed according to VBCPS policies.

AUDITING STANDARDS

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings, other items noted, and conclusions based on our audit objectives.

AUDITING STANDARDS, CONTINUED

The results of the audit were discussed with management. We thank management and staff of the Office of Facilities Services and the Office of Business Services and others that were contacted for their cooperation throughout the audit.

cc: Jack Freeman, Chief Operations Officer, Department of School Division Services
Melisa A. Ingram, Executive Director of Facilities Services

Crystal M. Pate, Chief Financial Officer, Department of Budget and Finance
Daniel G. Hopkins, Director of Business Services

AUDIT RESULTS AND MANAGEMENT'S RESPONSES

Finding No. 1: Federal Funding Disclosure

The bid advertisement for all seven projects did not include the percentage or dollar amount of federal funds to be used. The Grant *Special Terms and Conditions* require, "When issuing statements, press releases, requests for proposals, bid solicitations and other documents describing projects or programs funded in whole or in part with federal funding, U.S. Department of Education sub-grantees shall clearly state:

1. The percentage of the total costs of the program or project which will be financed with federal funding;
2. The dollar amount of federal funds for the project or program; and
3. The percentage and dollar amount of the total costs of the project or program that will be financed by non-governmental sources."

Budget provides the grant administrator with grant requirements but is not responsible for monitoring if all terms and conditions have been met. Facilities performs procurement for Capital Improvement Program (CIP) construction projects as required by *School Board Policy 3-30 Purchasing and Procurement of Goods and Services*. As a result, OPS was not involved in the competitive procurement for the HVAC projects and Facilities did not follow the grant's funding disclosure requirement. VBCPS is responsible for following procurement requirements for federally funded projects to ensure compliance with the terms and conditions of the grant.

Recommendations:

IA recommends that the Department of Budget and Finance and the Department of School Division Services develop a plan to ensure that future construction project procurement complies with all grant and Virginia Public Procurement Act (VPPA) requirements. This plan should consider that OPS has the professional qualifications to ensure that procurement requirements are met. VBCPS policies and procedures should be updated to reflect changes in procurement responsibilities that may result from the development of this plan.

Management's Response:

The Chief Financial Officer (CFO) and Chief Operations Officer (COO) concur. Budget, OPS, the Department of School Division Services and Facilities will collaborate and develop a plan to ensure that construction project procurement complies with grant and VPPA requirements, and the initial meeting to discuss this will take place before June 30, 2026. This plan will evaluate School Board procurement policies, procedures, templates and internal controls, including allocation of resources. The process evaluation and the resulting modifications will be completed by July 1, 2027, through a phased approach which will minimize operational disruption while strengthening procurement oversight and reducing future compliance risk.

ITEMS NOTED AND MANAGEMENT'S RESPONSES

Items Noted No. 1: Local Match Expenditures

Local match expenditures for the Grant, which were funded by the CIP, were not easily identifiable. A project analysis code was created to track local match expenditures paid from the CIP HVAC Renovation and Replacement Project however, the code was only used for a portion of the transactions. The remaining transactions were recorded in the CIP HVAC Renovation and Replacement Project with all other HVAC improvement expenditures. Facilities and OBS use a ledger to track payments, however, neither office is reconciling total local match expenditures to Oracle. The Grant assurances state that recipients, "will ensure that funds are expended in accordance with the approved original or amended application." Maintaining clear financial records ensures that funds are expended in compliance with Grant requirements.

Recommendations:

IA recommends that Facilities, in coordination with the Budget, clearly identify local match expenditures to ensure they are easily identifiable.

Management's Response:

The COO and CFO concur. Facilities will meet with Budget to determine if adjustments should be made to record all local match expenditures by October 1, 2026. Consideration will be made for future awards to record grant expenditures including the local match so that they are easily identifiable.