

CITY OF ANNAPOLIS

SINGLE AUDIT REPORT

YEAR ENDED JUNE 30, 2025



CITY OF ANNAPOLIS

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**INDEPENDENT AUDITORS' REPORT 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**

The Honorable Mayor, Aldermen, and Alderwomen
City of Annapolis
Annapolis, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Annapolis, Maryland (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 February 24, 2026.

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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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*.

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 result 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.

UHY LLP

Columbia, Maryland
February 24, 2026



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER
COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

The Honorable Mayor, Aldermen, and Alderwomen
City of Annapolis
Annapolis, Maryland

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Annapolis, Maryland's (the City) compliance with the types of compliance requirements identified as subject to audit in the 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 that 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2025-001 and 2025-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our compliance audit 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 compliance and, accordingly, we express no opinion on the response.

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 requirement 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.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit 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 compliance and, accordingly, we express no opinion on the response.

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.

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, 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 the City's basic financial statements. We issued our report thereon dated March 6, 2026, 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.

UHY LLP

Columbia, Maryland
March 6, 2026

CITY OF ANNAPOLIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2025

Federal Grantor/Pass-Through Grantor Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Pass-Through to Subrecipients	Federal Expenditures
U.S. Department of Homeland Security				
Pass-Through Maryland Emergency Management Agency:				
2023 Emergency Management Performance Grant	97.042	EMP-2023-EP-00001-S01	\$ -	\$ 61,482
2024 Emergency Management Performance Grant	97.042	EMP-2024-EP-05000	-	3,255
Total Emergency Management Performance Grants			<u>-</u>	<u>64,737</u>
2022 State Homeland Security Program	97.067	EMW-2022-SS-00009-S01 SHSP	-	96,034
2023 State Homeland Security Program	97.067	EMW-2023-SS-00011 SHSP	-	24,105
2022 Urban Area Security Initiative	97.067	EMW-2022-SS-00009-S01 UASI	-	210,115
2023 Urban Area Security Initiative	97.067	EMW-2023-SS-00011 UASI	-	199,610
Total Homeland Security Grant Program			<u>-</u>	<u>529,864</u>
2021 Urban Area Security Initiative	97.068	EMW-2021-SS-00047-UASI	-	3,036
FY22 State & Local Cybersecurity Grant	97.137	EMW-2022-CY-00028	-	4,099
Pass-Through Maryland Department of Human Services: Emergency Food & Shelter Program - Phase 41	97.024	DHS-24-DAD-024-00-99	8,955	8,955
Total U.S. Department of Homeland Security			<u>8,955</u>	<u>610,691</u>
U.S. Department of Housing and Urban Development				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grants	14.218	N/A	273,075	273,075
Total CDBG - Entitlement Grants Cluster			<u>273,075</u>	<u>273,075</u>
Total U.S. Department of Housing and Urban Development			<u>273,075</u>	<u>273,075</u>
U.S. Department of Interior				
Pass-Through Maryland Department of Natural Resources:				
Clean Vessel Act	15.616	14-24-4160-CVA	32,065	32,065
Clean Vessel Act	15.616	14-25-4279-CVA	41,310	41,310
Total Clean Vessel Act			<u>73,375</u>	<u>73,375</u>
Total U.S. Department of Interior			<u>73,375</u>	<u>73,375</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

CITY OF ANNAPOLIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2025

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Pass-Through to Subrecipients</u>	<u>Federal Expenditures</u>
U.S. Department of Justice				
COPs De-Escalation	16.710	15JCOPS-21-GG-02427-SPPS	-	697
Equitable Sharing on Forfeitures	16.922	N/A	-	132,656
Pass-Through Maryland Governor's Office of Crime Prevention & Policy SFY25 E J Byrne Memorial Assistance	16.738	BJAG-2023-0012	39,817	39,817
Total U.S. Department of Justice			<u>39,817</u>	<u>173,170</u>
U.S. Department of Commerce				
EDA Grant Award/City Dock Redevelopment Resilience & Recovery	11.307	01-79-15243	-	722,468
Total U.S. Department of Commerce			<u>-</u>	<u>722,468</u>
National Oceanic and Atmospheric Administration				
Pass-Through Maryland Department of Natural Resources: Nuisance Flood Planning	11.419	14-25-4228 CZM 254	16,175	16,175
Total National Oceanic and Atmospheric Administration			<u>16,175</u>	<u>16,175</u>
U.S. Department of Transportation				
Pass-Through Maryland Department of Transportation: Federal Transit Cluster - COVID-19 Federal Transit - Formula Grants	20.507	AN25ARPAC2022	-	768,867
COVID-19 Federal Transit - Formula Grants	20.507	AN255339C2024	-	75,083
Total Federal Transit Cluster			<u>-</u>	<u>843,950</u>
Pass-Through Maryland Emergency Management Agency: FY23 Hazardous Materials Emergency Preparedness	20.703	693JK32240008HMEP	-	525
Total U.S. Department of Transportation			<u>-</u>	<u>844,475</u>
U.S. Department of Treasury				
COVID-19 Coronavirus Relief Fund	21.019	N/A	-	5,969,481
Total U.S. Department of Treasury			<u>-</u>	<u>5,969,481</u>
Total Federal Expenditures			<u>\$ 411,397</u>	<u>\$ 8,682,910</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

CITY OF ANNAPOLIS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2025

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Annapolis (the City) under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards with the exception of Assistance Listing Number 21.019, which follows criteria determined by the Department of Treasury for allowability of costs. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - INDIRECT COST RATE

The City has not elected to use the 15 percent de minimis indirect cost rate allowed under Uniform Guidance.

NOTE 4 - REVOLVING LOAN FUNDS

The Safe Drinking Water State Revolving Fund are revolving loan funds. Federally funded new loan proceeds provided under this program are included as expenditures on the Schedule of Expenditures of Federal Awards in the year incurred; however, there were no expenditures during the current year. The City had the following loan balance outstanding at June 30, 2025:

	<u>Assistance Listing Number</u>	<u>Amounts Outstanding</u>
Drinking Water State Revolving Fund	66.468	<u>\$ 19,754,257</u>

**CITY OF ANNAPOLIS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2025**

Section I - Summary of Independent Auditors' Results

Financial Statements

1. Type of auditor's report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified: _____ yes X no
 - Significant deficiency(ies) identified? _____ yes X none reported
3. Noncompliance material to basic financial statements noted? _____ yes X no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes X no
 - Significant deficiency(ies) identified? X yes _____ none reported
2. Type of auditors' report issued on Compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of Major Federal Programs:

Assistance Listing Numbers
 21.019

Name of Federal Program or Cluster
 COVID-19 Coronavirus Relief

Dollar threshold used to determine Type A projects: \$750,000

Auditee qualify as low-risk auditee? X yes _____ no

CITY OF ANNAPOLIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2025

Section II - Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III - Findings and Questioned Costs - Major Federal Programs

2025 – 001 – Internal Control over Financial Reporting of the Schedule of Federal Expenditures of Federal Awards

Type of Finding: Significant Deficiency in Internal Control

Condition: During the audit of the City of Annapolis for the fiscal year ended June 30, 2025, management identified federal awards expended during fiscal year 2024 that were not included in the original Schedule of Expenditures of Federal Awards (SEFA) provided for the Single Audit. The omission was not detected until May 2025 during the City’s subsequent reconciliation process.

Criteria: Uniform Guidance (2 CFR 200.510(b)) requires the auditee to prepare a complete and accurate Schedule of Expenditures of Federal Awards, including all federal awards expended during the fiscal year.

Cause: This matter resulted from an isolated breakdown in the implementation of existing SEFA preparation procedures. Specifically, certain federal awards were tracked by a department outside of Finance and were not timely communicated to the Finance Department. City’s standard process for identifying federal awards across departments was not fully executed in this instance.

Questioned Costs: None.

Effect: The SEFA initially prepared for fiscal year 2024 was incomplete, which necessitated reissuance of the fiscal year 2024 Single Audit reporting package. Because the omission was not identified until May 2025, controls over the completeness of federal award identification and SEFA preparation were not operating effectively during fiscal year 2025.

Repeat Finding: Yes.

Recommendation: We recommend the City continue to reinforce its existing SEFA preparation procedures by formalizing periodic interdepartmental confirmations of federal award activity and implementing a year-end certification process to confirm the completeness of federal awards reported to Finance.

Views of Responsible Officials: There is no disagreement with the audit finding.

CITY OF ANNAPOLIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2025

2025 - 002 – Suspension and Debarment

Federal Agency: U.S. Department of the Treasury
Federal Program Name: COVID-19 Coronavirus Relief Fund
Assistance Listing Number: 21.019
Award Period: March 3, 2021 – December 31, 2024

Type of Finding: Significant Deficiency over Compliance and Other Matters

Criteria or specific requirement: 2 CFR 200.303 requires non-federal entities to establish and maintain internal control designed to reasonably ensure compliance with federal statutes and regulations, including procedures to verify and document vendor eligibility. 2 CFR 200.214 requires verification that vendors are not suspended or debarred prior to entering into covered transactions.

Condition: The City does not have a documented control to perform and retain evidence of suspension and debarment verification (e.g., SAM.gov check or vendor certification) at the time of entering into covered transactions funded by federal awards. Management indicated that vendor eligibility checks are performed as part of standard operating practice; however, documentation evidencing the timing and performance of these checks was not retained.

Questioned costs: None.

Context: Four of the five covered transactions selected did not have proper supporting documentation for suspension and debarment procedures.

Cause: For three of the transactions tested, the City relied on cooperative purchasing agreements. Accordingly, the City did not perform or retain documentation of its own suspension and debarment verification. For the remaining transaction, documentation evidencing suspension and debarment compliance was not retained.

Effect: The City did not have a documented control to perform and retain evidence of suspension and debarment verification at the time of award, as required by 2 CFR 200.303.

Repeat Finding: No.

Recommendation: We recommend the City obtain certifications from vendors stating their organization is not suspended, debarred, or otherwise excluded from participation in federal assistance programs or document the procedures performed to verify the vendor is not identified as suspended or debarred on SAM.gov.

Views of responsible officials: There is no disagreement with the audit finding.



City of Annapolis

Finance Office
160 Duke of Gloucester Street
Annapolis, MD 21401-2517

U.S. Department of the Treasury

The City of Annapolis respectfully submits the following corrective action plan for the year ended June 30, 2025.

Audit period: 2025

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT

There were no financial statement audit findings in the current year.

FINDINGS – FEDERAL AWARD PROGRAMS AUDITS

DEPARTMENT OF THE TREASURY

2025-001 - Internal Control over Financial Reporting of the Schedule of Federal Expenditures of Federal Awards

Condition: During the audit of the City of Annapolis for the fiscal year ended June 30, 2025, management identified federal awards expended during fiscal year 2024 that were not included in the original Schedule of Expenditures of Federal Awards (SEFA) provided for the Single Audit. The omitted federal awards were identified by management in May 2025 through a subsequent reconciliation process, and the fiscal year 2024 Single Audit reporting package was reissued to reflect a complete SEFA.

Recommendation: We recommend the City reinforce its existing SEFA preparation procedures by formalizing periodic interdepartmental confirmations of federal award activity and implementing a year-end certification process to confirm the completeness of federal awards reported to Finance.

Explanation of disagreement with auditing finding: There is no disagreement with the audit finding.

Action taken in response to finding: Management has strengthened internal controls over SEFA preparation by implementing quarterly reconciliations of grant activity to the general ledger, formalizing interdepartmental reporting and certification procedures, and establishing a centralized repository for all grant documentation. Additional measures include verifying award information against official agreements and [SAM.gov](https://www.sam.gov), ensuring comprehensive identification of all direct, pass-through, and non-cash federal assistance, and reviewing prior-year SEFA reporting for completeness. These actions enhance oversight and reduce the risk of incomplete or inaccurate federal award reporting going forward.



City of Annapolis

Finance Office

160 Duke of Gloucester Street

Annapolis, MD 21401-2517

2025-002 - Suspension and Debarment

Condition: The City does not have a documented control to perform and retain evidence of suspension and debarment verification (e.g., SAM.gov check or vendor certification) at the time of entering into covered transactions funded by federal awards. Management indicated that vendor eligibility checks are performed as part of standard operating practice; however, documentation evidencing the timing and performance of these checks was not retained.

Recommendation: We recommend the City obtain certifications from vendors stating their organization is not suspended, debarred, or otherwise excluded from participation in federal assistance programs or document the procedures performed to verify the vendor is not identified as suspended or debarred on SAM.gov.

Explanation of disagreement with auditing finding: There is no disagreement with the audit finding.

Action taken in response to finding: The City will implement a formalized control procedure to ensure compliance with federal suspension and debarment requirements. Specifically, the City will require documentation to be maintained evidencing verification that vendors are not suspended, debarred, or otherwise excluded from participation in federal assistance programs. Verification will be performed through a search of the System for Award Management ([SAM.gov](https://sam.gov)) or through vendor certification prior to entering into covered transactions funded by federal awards. Documentation of the verification will be retained with the procurement records.



City of Annapolis

Finance Office
160 Duke of Gloucester Street
Annapolis, MD 21401-2517

U.S. Department of the Treasury

The City of Annapolis respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2025.

Audit period: 2024

The finding from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS – FINANCIAL STATEMENT AUDIT

There were no financial statement findings in the prior year.

FINDINGS – FEDERAL AWARD PROGRAMS AUDITS

2024-001 – Internal Control over Financial Reporting of the Schedule of Federal Expenditures of Federal Awards

Condition: During the audit of the City of Annapolis for the fiscal year ended June 30, 2025, management identified federal awards expended during fiscal year 2024 that were not included in the original Schedule of Expenditures of Federal Awards (SEFA) provided for the Single Audit. The omitted federal awards were identified by management in May 2025 through a subsequent reconciliation process, and the fiscal year 2024 Single Audit reporting package was reissued to reflect a complete SEFA.

Status: Partially corrected. In fiscal year 2025, management has strengthened internal controls over SEFA preparation by implementing quarterly reconciliations of grant activity to the general ledger, formalizing interdepartmental reporting and certification procedures, and establishing a centralized repository for all grant documentation. Additional measures include verifying award information against official agreements and SAM.gov, ensuring comprehensive identification of all direct, pass-through, and non-cash federal assistance, and reviewing prior-year SEFA reporting for completeness. These actions enhance oversight and reduce the risk of incomplete or inaccurate federal award reporting going forward.