

COUNTY OF FAIRFAX, VIRGINIA

Financial and Compliance Audit
Pursuant to OMB Circular A-133
(Single Audit)

June 30, 2006

(With Independent Auditors' Reports Thereon)

COUNTY OF FAIRFAX, VIRGINIA

Table of Contents

	Page
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 <i>Government Auditing Standards</i>	1
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	3
Schedule of Expenditures of Federal Awards	5
Notes to Schedule of Expenditures of Federal Awards	9
Schedule of Findings and Questioned Costs	11



KPMG LLP
2001 M Street, NW
Washington, DC 20036

**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 Board of Supervisors
County of Fairfax, Virginia:

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 County of Fairfax, Virginia (the County), as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated October 30, 2006. We did not audit the financial statements of the discretely presented component units of the Fairfax County Redevelopment and Housing Authority (FCRHA), a discretely presented component unit of the County, which represents 1.96% and .29%, respectively, of total assets and revenues of the aggregate discretely presented component units. We conducted our audit in accordance with 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; and the Specifications for Audits of Counties, Cities, and Towns (specifications) issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grants, and other matters did not include the entities audited by the other auditors referred to in the previous paragraph. The findings, if any, of those other auditors are not included herein.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, caused by error or fraud in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of 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 determination of financial statement amounts. 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*.

This report is intended solely for the information and use of the Board of Supervisors, management, the Auditor of Public Accounts, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

October 30, 2006



KPMG LLP
2001 M Street, NW
Washington, DC 20036

**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133**

The Board of Supervisors
County of Fairfax, Virginia:

Compliance

We have audited the compliance of the County of Fairfax, Virginia (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program, occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program, in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.



Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grant agreements, caused by error or fraud that would be material in relation to a major federal program being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

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 County, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 30, 2006. We did not audit the financial statements of the discretely presented component units of the Fairfax County Redevelopment and Housing Authority (FCRHA), a discretely presented component unit of the County, which represents 1.96% and .29%, respectively, of total assets and revenues of the aggregate discretely presented component units. Our audit was performed for the purpose of forming opinions on the basic financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Supervisors, management, the Auditor of Public Accounts of the Commonwealth of Virginia, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

October 30, 2006

COUNTY OF FAIRFAX
Schedule of Expenditures of Federal Awards
Year ended June 30, 2006

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	Expenditures
Department of Agriculture		
Direct Awards:		
National School Lunch Program	10.555	\$ 2,657,321
Child and Adult Care Food Program	10.558	3,464,750
Summer Food Service Program for Children	10.559	181,081
State Administrative Matching Grants for Food Stamp Program	10.561	133,776
Passed through the Commonwealth of Virginia:		
<u>Department for the Aging</u>		
Food Donation	10.550	262,207
<u>Department of Health</u>		
Special Supplemental Nutrition Program for Women, Infants, and Children (MOA 409 OFHS)	10.557	1,261,900
<u>Department of Social Services</u>		
Child and Adult Care Food Program	10.558	200,272
State Administrative Matching Grants for Food Stamp Program	10.561	5,482,400
<u>Department of Education</u>		
School Breakfast Program	10.553	2,112,601
National School Lunch Program	10.555	12,306,519
Department of Commerce		
Direct Awards:		
Chesapeake Bay Studies	11.457	27,081
Technology Opportunities Program	11.552	11,921
Department of Defense		
Direct Awards:		
Junior ROTC Program (Department of the Navy)	12.000	397,929
Federal Shelter Program (Department of the Army)	12.115	35,661
Passed through the Commonwealth of Virginia:		
<u>Department of Education</u>		
Payments to States in Lieu of Real Estate Taxes	12.112	15,228
Department of Housing and Urban Development		
Direct Awards:		
Supportive Housing for Persons with Disabilities	14.181	253,332
Section 8 New Construction/Substantial Rehabilitation	14.182	2,061,668
Community Development Block Grants/Entitlement Grants	14.218	9,593,279
Emergency Shelter Grants Program	14.231	267,368
Supportive Housing Program	14.235	1,112,940
Shelter Plus Care	14.238	1,156,968
HOME Investment Partnerships Program	14.239	2,714,646
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	86,174
Fair Housing Assistance Program-State and Local	14.401	27,585
Public and Indian Housing	14.850	1,074,440
Resident Opportunity and Support Services (Program year 2001)	14.870	4,000
Resident Opportunity and Support Services (Program year 2002)	14.870	79,702
Resident Opportunity and Support Services (Program year 2003)	14.870	36,018
Resident Opportunity and Support Services (Program year 2004)	14.870	59,970
Section 8 Housing Choice Vouchers	14.871	33,652,397
Public Housing Capital Fund	14.872	1,716,816

COUNTY OF FAIRFAX
Schedule of Expenditures of Federal Awards
Year ended June 30, 2006

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	Expenditures
Passed through the Commonwealth of Virginia: <u>Department of Housing and Community Development</u> Emergency Shelter Grants Program	14.231	\$ 60,344
Department of the Interior		
Direct Awards: Wildlife Restoration	15.611	77,046
Passed through the Commonwealth of Virginia: <u>Department of Emergency Management</u> National Fire Plan - Wildland Urban Interface Community Fire Assistance	15.228	10,000
Department of Justice		
Direct Awards: Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program (2002-DD-BX-0024) Local Law Enforcement Block Grant Program State Criminal Alien Assistance Program Bulletproof Vest Partnership Program Public Safety Partnership and Community Policing Grants	16.580 16.592 16.606 16.607 16.710	165,735 49,206 708,545 16,750 1,059,287
Passed through the Commonwealth of Virginia: <u>Department of Criminal Justice Services</u> Prisoner Reentry Initiative Demonstration (Offender Reentry) (DOC-03-045, MOA-29-03-01) Juvenile Justice and Delinquency Prevention-Allocation to States (06-D3958JB05, 06-D3913JJ05) Part E - Developing, Testing and Demonstrating Promising New Programs Gang-Free Schools and Communities-Community-Based Gang Intervention Crime Victim Assistance (06-G3445SA05) Crime Victim Assistance/Discretionary Grants (05-I9279VW04, 06-J9279VW05, 04G9836VA03, 05-H9836VA04, 06-I9836VA05) Violence Against Women Formula Grants (05-I9333VA04, 06-J9333VA05)	16.202 16.540 16.541 16.544 16.575 16.582 16.588	179,187 60,307 389,804 255,042 66,552 219,113 13,785
Passed through the University of Maryland: Community Capacity Development Office (Z988308)	16.595	232,284
Department of Labor		
Direct Awards: One-Stop Career Center Initiative Disability Employment Policy Development	17.257 17.720	20,571 288,438
Passed through the Commonwealth of Virginia: <u>Department for the Aging</u> Senior Community Service Employment Program <u>Virginia Employment Commission</u> WIA Adult Program (LWA 11-05-05) WIA Youth Activities (LWA 11-05-05) WIA Dislocated Workers (LWA 11-01-07, NOO 11-02-03, LWA11-05-05, NOO 24-99-03, NOO 11-01-04, LWA 11-05A-01)	17.235 17.258 17.259 17.260	148,334 640,228 423,216 1,159,248

COUNTY OF FAIRFAX
Schedule of Expenditures of Federal Awards
Year ended June 30, 2006

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	Expenditures
Department of State		
Direct Awards:		
Overseas Educational Advising	19.432	\$ 77,195
Middle East Partnership Initiative	19.500	30,214
Department of Transportation		
Direct Awards:		
Job Access-Reverse Commute	20.516	43,355
Passed through the Commonwealth of Virginia:		
<u>Department of Motor Vehicles</u>		
State and Community Highway Safety (OP02-21-58221, PT-05-51136, IN-04-05-51198, J2-06-52095, PT-05-51135, IN04-05-51218, CP-2006-52432-2433, 154AL-05-51032-08)	20.600	58,231
Occupant Protection	20.602	9,599
<u>Department of Criminal Justice Services</u>		
State and Community Highway Safety (06-A4770AD05)	20.600	49,880
<u>Department of Transportation</u>		
Highway Planning and Construction	20.205	1,567,538
<u>Department of Rail and Public Transportation</u>		
Highway Planning and Construction	20.205	180,412
Equal Employment Opportunity Commission		
Direct Awards:		
Employment Discrimination-Private Bar Program	30.005	27,294
Library of Congress		
Direct Awards:		
Library of Congress - Library Services	42.006	189,731
National Aeronautics and Space Administration		
Direct Awards:		
Aerospace Education Services Program	43.001	34,800
National Foundation on Arts and the Humanities		
Direct Awards:		
Promotion of the Humanities-Public Programs	45.164	1,500
Environmental Protection Agency		
Direct Awards:		
Air Pollution Control Program Support	66.001	68,850
Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	75,000
Federal Emergency Management Agency		
Direct Awards:		
National Urban Search and Rescue (US&R) Response System	83.526	366,230

COUNTY OF FAIRFAX
Schedule of Expenditures of Federal Awards
Year ended June 30, 2006

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	Expenditures
Department of Education		
Direct Awards:		
Impact Aid	84.041	\$ 586,814
Fund for the Improvement of Education	84.215	813,975
Community Technology Centers	84.341	62,765
Passed through the Commonwealth of Virginia:		
<u>Department of Education</u>		
Adult Education-State Grant Program (VAEL/Civics-2005-134, 61112 192-02-10)	84.002	1,100,379
Title I Grants to Local Educational Agencies (029-42901-A05-1)	84.010	15,310,554
Special Education-Grants to States (029-SY05INT-A and B, 029-0405FT, 029-0405SL)	84.027	28,624,664
Vocational Education-Basic Grants to States (61095/171-03-05)	84.048	1,683,463
Special Education-Preschool Grants (029-PS0405)	84.173	1,094,033
Safe and Drug-Free Schools and Communities-State Grants (SDFSCA-029-04-R)	84.186	592,707
Education for Homeless Children and Youth	84.196	55,386
Twenty-First Century Community Learning Centers (712-60565/s287c040047)	84.287	161,264
State Grants for Innovative Programs (029-T5-04)	84.298	382,677
Education Technology State Grants (ED-TECH-029)	84.318	267,742
Advanced Placement Program	84.330	51,760
Reading First State Grants (60655-029)	84.357	29,066
English Language Acquisition Grants (LEP029-05)	84.365	3,880,894
Improving Teacher Quality State Grants (029-T2-05)	84.367	3,804,508
Grants for State Assessments and Related Activities	84.369	34,538
Hurricane Education Recovery	84.938	539,055
<u>Department of Mental Health and Mental Retardation Services</u>		
Special Education-Grants for Infants and Families with Disabilities (3/4/2013)	84.181	708,697
Department of Health and Human Services		
Direct Awards:		
Medical Reserve Corps Small Grant Program	93.008	68,833
Head Start	93.600	6,924,322
Medicare-Prescription Drug Coverage	93.770	401,927
Medical Assistance Program	93.778	705,119
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	99,991
HIV Care Formula Grants	93.917	81,941
Passed through the Commonwealth of Virginia:		
<u>Department for the Aging</u>		
Special Programs for the Aging-Title VII, Chapter 2-Long Term Care Ombudsman Services for Older Individuals (01-94-AAA-VA-1320)	93.042	56,950
Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers (01-94-AAA-VA-1320)	93.044	420,829
Special Programs for the Aging-Title III, Part C-Nutrition Services (01-94-AAA-VA-1712)	93.045	429,786
National Family Caregiver Support	93.052	156,637

COUNTY OF FAIRFAX
Schedule of Expenditures of Federal Awards
Year ended June 30, 2006

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	Expenditures
<u>Department of Health</u>		
Project Grants and Cooperative Agreements for Tuberculosis Control Programs (DTC-06-11)	93.116	\$ 134,099
Injury Prevention and Control Research and State and Community Based Programs (G-SVC-04-08)	93.136	8,919
Immunization Grants (409-V-1000-4050200-43273-04)	93.268	66,898
Centers for Disease Control and Prevention-Investigations and Technical Assistance (409-Q-1000-4050200-43274-04, MOA 409 OFHS)	93.283	255,821
Preventive Health and Health Services Block Grant (MOA 409 OFHS)	93.991	170
Maternal and Child Health Services Block Grant to the States (MOA 409 OFHS)	93.994	264,977
<u>Department of Medical Assistance Services</u>		
Medicare-Supplementary Medical Insurance	93.774	16,291
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	36,170
<u>Department of Mental Health and Mental Retardation Services</u>		
Public Health and Social Services Emergency Fund	93.003	18,000
Projects for Assistance in Transition from Homelessness (PATH)	93.150	158,823
Block Grants for Community Mental Health Services (State Performance Contract)	93.958	1,342,286
Block Grants for Prevention and Treatment of Substance Abuse	93.959	3,300,155
<u>Department of Social Services</u>		
Family Planning-Services (409OFHS)	93.217	25,234
Promoting Safe and Stable Families	93.556	353,167
Temporary Assistance for Needy Families (G-SVC-04-08)	93.558	3,092,731
Child Support Enforcement	93.563	476
Refugee and Entrant Assistance-State Administered Programs	93.566	116,441
Low-Income Home Energy Assistance	93.568	113,966
Community Services Block Grant	93.569	552,644
Child Care and Development Block Grant	93.575	4,559,545
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	21,620,313
Chafee Education and Training Vouchers Program (ETV)	93.599	36,761
Child Support Enforcement Demonstrations and Special Projects	93.601	197,521
Foster Care-Title IV-E	93.658	7,012,055
Adoption Assistance	93.659	964,645
Social Services Block Grant	93.667	3,516,723
Chafee Foster Care Independence Program	93.674	80,752
State Children's Insurance Program	93.767	274,106
State Medicaid Fraud Control Units	93.775	124,126
Medical Assistance Program	93.778	4,746,870

COUNTY OF FAIRFAX
Schedule of Expenditures of Federal Awards
Year ended June 30, 2006

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	Expenditures
Department of Homeland Security		
Direct Awards:		
National Urban Search and Rescue (US&R) Response System	97.025	\$ 1,916,821
Passed through the Commonwealth of Virginia:		
<u>Department of Emergency Management</u>		
State Domestic Preparedness Equipment Support Program (05-A4521HS04)	97.004	2,629,099
Citizen Corps	97.053	22,525
Community Emergency Response Teams	97.054	3,905
Homeland Security Grant Program	97.067	45,460
Buffer Zone Protection Plan (BZPP)	97.078	27,877
<u>Department of Criminal Justice Services</u>		
State Domestic Preparedness Equipment Support Program	97.004	84,972
Passed through the District of Columbia Office of the Deputy Mayor for Public Safety and Justice:		
Urban Areas Security Initiative (SUB GRANT 8C-UAS-5, 03-EU-10, 04-TU-04, 2005-GE-T5-0024)	97.008	13,980,919
Homeland Security Grant Program	97.067	7,687,331
United States Agency for International Development		
Direct Awards:		
USAID Foreign Assistance for Programs Overseas	98.001	908,155
Total		\$ 240,899,826

See accompanying independent auditors' report and notes to schedule of expenditures of federal awards.

COUNTY OF FAIRFAX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

June 30, 2006

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes all federal grant activity of the County of Fairfax, Virginia (the County), and its component units, except those of the discretely presented tax credit partnership component units of the Fairfax County Redevelopment and Housing Authority (FCRHA). The County's reporting entity is defined in Note A, Part 1 of the County's basic financial statements. The Schedule has been prepared on the modified accrual basis of accounting as defined in Note A, Part 3 of the County's basic financial statements.

The information in this schedule is presented in accordance with the requirements of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(2) Noncash and Other Programs

The Women, Infant, and Children (WIC) program vouchers are issued by the Commonwealth of Virginia (Commonwealth) to eligible County citizens during the year. The value of these vouchers is not included on the accompanying schedule because the Commonwealth's Department of Health determines eligibility for and monitors the WIC program. However, the County's administrative expenditures for the program are included on the accompanying schedule in the Special Supplemental Nutrition Program for Women, Infants and Children Grant (10.557).

The Commonwealth's Department of Agriculture and Consumer Services (VDACS), Division of Marketing, administers the United States Department of Agriculture (USDA) donated food program within the Commonwealth. USDA provides values for all donated food. For CFDA numbers 10.550 and 10.555, the County received a net value of donated food in the amounts of \$2,103 and \$324,377, respectively, for the year ended June 30, 2006.

The U.S. Department of Housing and Urban Development (HUD) has insured certain mortgage loan borrowings made by the County through the FCRHA in connection with certain low income housing projects. These loans had outstanding principal due of \$5,301,766 at June 30, 2006. FCRHA also had an outstanding loan from HUD for \$1,317,533 at June 30, 2006, for capital improvements to a low income housing project and outstanding Section 241f loans from HUD for \$9,407,685 at June 30, 2006. In addition, FCRHA held Federal Housing Administration insured mortgage revenue bonds secured by land, buildings, and equipment of \$5,405,000 at June 30, 2006. Finally, FCRHA issued certain bonds and notes to permanently finance certain public housing projects. Principal and interest on these bonds and notes are paid by HUD through the Annual Contributions Contract. Such payments totaled \$234,509 during the year ended June 30, 2006.

COUNTY OF FAIRFAX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

June 30, 2006

(3) Subrecipients

Of the federal expenditures presented in the Schedule, the County provided the following amounts to subrecipients:

Program title	Federal CFDA number	Amount provided to subrecipients
Food Donation	10.550	\$ 216,321
Community Development Block Grant/Entitlement	14.218	2,969,458
Supportive Housing Program	14.235	62,572
Shelter Plus Care	14.238	1,156,968
Special Programs for the Aging – Title IIIB	93.044	40,253
Special Programs for the Aging – Title IIIC – Nutrition Services	93.045	337,662
Head Start	93.600	1,470,762
Urban Areas Security Initiative	97.008	11,250,419
Homeland Security Grant Program	97.067	640,610

COUNTY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

(1) Summary of Auditors' Results

Type of report issued on the financial statements:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Reportable condition identified that is not considered a material weakness?	None reported
Noncompliance material to financial statements noted?	No
Reportable conditions in internal control over major programs noted?	None reported
Type of report issued on compliance for major programs?	Unqualified
Any findings which are required to be reported under Section .510(a) of Circular A-133?	Yes
Major programs are as follows:	
(1) Section 8 Housing Choice Vouchers (14.871)	
(2) Cedar Ridge (Section 241F Mortgage) Loan Guarantee (14.000)	
(3) Little River Glen (FHA Mortgage Revenue Bond) Loan Guarantee (14.000)	
(4) Title I Grants to Local Educational Agencies (84.010)	
(5) Title III English Language Acquisition Grants (84.365)	
(6) Temporary Assistance for Needy Families (93.558)	
(7) Social Services Block Grant (93.667)	
Dollar threshold used to distinguish between type A and type B programs?	\$3 million
Auditee qualified as low-risk auditee?	Yes

(2) Financial Statement Findings

None.

(3) Federal Awards Findings and Questioned Costs

Item Number 2006-1

Area

Section 8, Housing Choice Vouchers (14.871)

Criteria

A Housing Choice Voucher (HCV) amount is calculated for each tenant annually based on the guidance published by the U.S. Department of Housing and Urban Development (HUD) using form 50058. This guidance is located at: <http://www.hud.gov/offices/pih/systems/pic/50058/pubs/form50058.pdf> and <http://www.hud.gov/offices/pih/systems/pic/50058/pubs/ib/form50058ib.pdf>.

COUNTY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Condition

We noted 3 HCV items in a sample of 90 that were miscalculated and not identified as such by the Fairfax County Redevelopment and Housing Authority's review process. Specifically, the 3 items included:

1. a recertification using 2004 income/asset recertification resulting in a monthly HAP overpayment of \$12,
2. medical expenses based on the discount amount resulting in a monthly HAP underpayment of \$1,
3. a utility amount included twice resulting in a monthly HAP overage of \$22.

The statistical projection of these errors in our sample results in projected questioned costs of approximately \$64,000.

Recommendation

We recommend that FCRHA HCV program management:

- Re-enforce training requirements for completing HUD Form 50058 with both the personnel performing the calculations and the supervisory personnel (lead) reviewing the calculations.

Questioned Costs

\$64,000

Management Response

The first item was the result of temporary staff person's error and the lead reviewing the file was in an "acting" capacity pending hiring a replacement for the former supervisor. Procedures have been developed and put in place using technology that will remind not only the employee but the employee's supervisor to follow up. Also, at the time of this situation, caseloads were distributed evenly among all staff. Effective January 2006 re-certifications work is designated to specific staff so that follow up will be by the same person who performed the re-certification.

The second error occurred when the specialist picked up the discounted amount for doctor services rather than the billed amount. As the type of invoice was unfamiliar to the specialist, it was brought to the attention of other specialists at a group training session. The specialist that committed the error was the only one unfamiliar with this invoice issue. This specialist was given a procedure to prevent this error from happening again.

The third error was a result of the specialist clicking on the same form of heat for the unit and water heat. The utility allowance amount itself is attached to the selection of utility type, so in clicking on the same utility type, the incorrect amount was used in the calculation. This occurred at a time when the staff and technology were new, so a refresher was provided on the technology and hand calculations are performed with new staff to match against calculations performed by the software. In this way, the lead may also check both calculations to ensure they match.