



COUNTY OF FAIRFAX, VIRGINIA

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

June 30, 2010

(With Independent Auditors' Reports Thereon)

COUNTY OF FAIRFAX, VIRGINIA

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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 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, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 15, 2010. Our report was modified to include a reference to the adoption of a new accounting standard effective July 1, 2009. Our report was also modified to include a reference to other auditors. 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* (the Specifications) issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Other auditors audited the financial statements of the Fairfax County Redevelopment and Housing Authority, a discretely presented component unit of the County. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A deficiency in internal control over financial reporting 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 combination of deficiencies, in internal control over financial reporting, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



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*.

We noted certain matters that we reported to the County management in a separate letter dated November 15, 2010.

This report is intended solely for the information and use of the Board of Supervisors, County 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

November 15, 2010



KPMG LLP
2001 M Street, NW
Washington, DC 20036-3389

**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 Fairfax County, 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, 2010. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants 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.

As described in items 2010-04 and 2010-06 in the accompanying schedule of findings and questioned costs, the County did not comply with the requirements regarding equipment and real property management related to its National Clean Diesel Funding Assistance (CFDA No. 66.039) program and the level of effort requirements related to its Special Education Cluster (CFDA No. 84.027/84.173/84.391/84.392) program. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2010-01, 2010-02 and 2010-05.



Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the 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 internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 combination of deficiencies, in internal control over compliance, such that there is 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-1, 2010-03, 2010-04, 2010-05 and 2010-07 to be material weaknesses.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-02 to be a significant deficiency.

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, 2010, and have issued our report thereon dated November 15, 2010. Our report was modified to include a reference to the adoption of a new accounting standard effective July 1, 2009. We did not audit the financial statements of the Fairfax County Redevelopment and Housing Authority, a discretely presented component unit of the County, which represents 8.09%, 4.97%, and 15.54%, respectively, of total assets, net assets, and revenues of the aggregate discretely presented component units. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. 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.



The County's responses to the findings identified in our audit are presented in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board of Supervisors, management, 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

November 15, 2010

COUNTY OF FAIRFAX, VIRGINIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	Expenditures
Department of Agriculture		
Direct Awards:		
National School Lunch Program	10.555	\$2,945,315
Child and Adult Care Food Program	10.558	4,488,977
Summer Food Service Program for Children	10.559	312,510
Fresh Fruit and Vegetable Program	10.582	106,770
Watershed Rehabilitation Program	10.916	956,312
ARRA - Watershed Rehabilitation Program	10.916	393,142
Passed Through the Commonwealth of Virginia:		
<u>Department of Education</u>		
School Breakfast Program	10.553	3,066,358
National School Lunch Program	10.555	17,865,815
ARRA - Child Nutrition Discretionary Grants Limited Availability (02-40592-10.579)	10.579	252,816
<u>Department of Health</u>		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	2,603,723
<u>Department of Social Services</u>		
Child and Adult Care Food Program	10.558	121,660
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	6,190,883
ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	71,018
<u>Department of Behavioral Health and Developmental Services</u>		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	146,114
Department of Commerce		
Passed Through the Commonwealth of Virginia:		
<u>Department of Emergency Management</u>		
Public Safety Interoperable Communications Grant Program	11.555	2,096,900
Department of Defense		
Direct Awards:		
Junior ROTC (Department of Navy)	12.000	475,075
Army Youth Programs in Your Neighborhood (Department of Army)	12.003	29,934
Federal Shelter Program (Department of Army)	12.115	113,917
Passed Through the Commonwealth of Virginia:		
<u>Department of Transportation</u>		
Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation	12.607	689,713
Department of Housing and Urban Development		
Direct Awards:		
Supportive Housing for Persons with Disabilities	14.181	254,652
Community Development Block Grants/Entitlement Grants	14.218	7,106,749
Emergency Shelter Grants Program	14.231	263,978
Supportive Housing Program	14.235	848,218
Shelter Plus Care	14.238	1,306,844
HOME Investment Partnerships Program	14.239	1,252,918
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	85,356
Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)	14.253	517,288
Homelessness Prevention and Rapid Re-Housing Program (Recovery Act Funded)	14.257	1,017,869
Fair Housing Assistance Program_State and Local	14.401	144,557
Public and Indian Housing	14.850	2,998,807
Resident Opportunity and Supportive Services - Service Coordinators (VA019RNN019A006-07965)	14.870	49,702
Resident Opportunity and Supportive Services - Service Coordinators (VA019REF030A006-08965)	14.870	35,643
Resident Opportunity and Supportive Services - Service Coordinators (VA019RFS194A007-09965)	14.870	18,515
Resident Opportunity and Supportive Services - Service Coordinators (VA019RFS185A008-10965)	14.870	58,493
Resident Opportunity and Supportive Services - Service Coordinators (VA019RFS197A009-11965)	14.870	17,004
Section 8 Housing Choice Vouchers	14.871	42,506,727
Public Housing Capital Fund	14.872	1,712,921
Public Housing Capital Fund Stimulus (Formula) Recovery Act Funded	14.885	2,294,177

COUNTY OF FAIRFAX, VIRGINIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	Expenditures
Department of the Interior		
Direct Awards:		
Wildlife Restoration	15.611	\$53,762
Partners for Fish and Wildlife	15.631	3,806
Passed Through the Commonwealth of Virginia:		
<u>Department of Historic Resources</u>		
Historic Preservation Fund Grants-In-Aid (RQ10-149806-40A)	15.904	6,975
Department of Justice		
Direct Awards:		
Part E - Developing, Testing and Demonstrating Promising New Programs	16.541	20,282
State Criminal Alien Assistance Program	16.606	1,477,913
Bulletproof Vest Partnership Program	16.607	14,473
Public Safety Partnership and Community Policing Grants	16.710	88,917
Edward Byrne Memorial Justice Assistance Grant Program	16.738	52,688
Edward Byrne Memorial Competitive Grant Program	16.751	54,694
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants To Units Of Local Government	16.804	246,648
Passed Through the Commonwealth of Virginia:		
<u>Department of Criminal Justice Services</u>		
Prisoner Reentry Initiative Demonstration (Offender Reentry) (MOA-29-03-01)	16.202	235,724
Juvenile Accountability Block Grants (09-K3224JB06, 09-A5969JB07, 10-L3224JB08)	16.523	89,195
Supervised Visitation, Safe Havens for Children	16.527	8,595
Juvenile Justice and Delinquency Prevention_Allocation to States (10-A5999JJ09, 10-D5267JJ08)	16.540	87,989
Missing Children's Assistance	16.543	9,119
Crime Victim Assistance (09-I3445SA08, 10-K3445SA09)	16.575	54,542
Crime Victim Assistance/Discretionary Grants (09-L9836VA08, 10-M9836VA09)	16.582	40,089
Violence Against Women Formula Grants (08-I933VA07, 10-A6080VS09)	16.588	92,982
<u>Compensation Board</u>		
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	16.803	856,341
Passed Through the University of Maryland:		
Community Capacity Development Office	16.595	427,152
Passed Through the County of Loudoun, Virginia:		
Anti-Gang Initiative	16.744	261,397
Passed Through the Northern Virginia Gang Task Force:		
Congressionally Recommended Awards	16.753	446,807
Department of Labor		
Passed Through the Commonwealth of Virginia:		
<u>Virginia Community College System</u>		
WIA Adult Program (LWA 11-09)	17.258	497,947
ARRA - WIA Adult Program (LWA ARRA-11)	17.258	263,898
WIA Youth Activities (LWA 11-09)	17.259	265,308
ARRA - WIA Youth Activities (LWA ARRA-11)	17.259	213,813
WIA Dislocated Workers (LWA 11-09)	17.260	1,297,135
ARRA - WIA Dislocated Workers (LWA ARRA-11)	17.260	585,414
Department of Transportation		
Direct Awards:		
Highway Planning and Construction	20.205	25,066
Federal Transit_Capital Investment Grants	20.500	1,762,750
Job Access_Reverse Commute	20.516	88,338

COUNTY OF FAIRFAX, VIRGINIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	Expenditures
Passed Through the Commonwealth of Virginia:		
<u>Department of Transportation</u>		
Highway Planning and Construction	20.205	\$808,923
<u>Department of Motor Vehicles</u>		
State and Community Highway Safety (K8-2009-59183-3486, K8-2010-50138-3758)	20.600	89,247
Department of the Treasury		
Direct Awards:		
Taxpayer Service	21.003	29,804
Equal Employment Opportunity Commission		
Direct Awards:		
Employment Discrimination_Private Bar Program	30.005	170,637
National Aeronautics and Space Administration		
Direct Awards:		
Aerospace Education Services Program	43.001	38,935
Institute of Museum and Library Services		
Direct Awards:		
National Leadership Grants	45.312	54,897
Laura Bush 21st Century Librarian Program	45.313	71,402
National Endowment for the Humanities		
Passed Through the American Library Association:		
Promotion of the Humanities_Public Programs	45.164	2,250
Environmental Protection Agency		
Direct Awards:		
ARRA - National Clean Diesel Emissions Reduction Program	66.039	827,176
Passed Through the Commonwealth of Virginia:		
<u>Virginia Resources Authority</u>		
ARRA - Capitalization Grants for Clean Water State Revolving Funds	66.458	1,974,575
Department of Energy		
Direct Awards:		
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	236,344
Department of Education		
Direct Awards:		
Impact Aid	84.041	4,159,466
Fund for the Improvement of Education	84.215	228,188
Foreign Language Assistance	84.293	13,964
Passed Through the Commonwealth of Virginia:		
<u>Department of Education</u>		
Adult Education - Basic Grants to States (VA02A090046, V002A070046)	84.002	861,416
Title I Grants to Local Educational Agencies (S010A090046)	84.010	16,800,653
Title I Program for Neglected and Delinquent Children (S013S090046)	84.013	47,957
Special Education_Grants to States (H027A090107, H027A080107)	84.027	36,054,576
Career and Technical Education -- Basic Grants to States (V048A090046)	84.048	1,646,658
Special Education_Preschool Grants (H173A090112)	84.173	791,166
Safe and Drug-Free Schools and Communities_State Grants (Q186A090048, 86871-36-09)	84.186	342,238
Education for Homeless Children and Youth (S196A080048)	84.196	58,841
Twenty-First Century Community Learning Centers (S287C070047)	84.287	52,806
Education Technology State Grants (S318X090046)	84.318	81,268
English Language Acquisition Grants (S365A090046)	84.365	4,027,095
Improving Teacher Quality State Grants (S367A090044)	84.367	3,835,338
Education Technology State Grants, Recovery Act (S386A090046)	84.386	249,781
Education for Homeless Children and Youth, Recovery Act (S387A090048)	84.387	79,952

COUNTY OF FAIRFAX, VIRGINIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	Expenditures
Title I Grants to Local Educational Agencies, Recovery Act (S389A090046)	84.389	\$6,632,093
Special Education Grants to States, Recovery Act (H391A090107)	84.391	16,014,982
Special Education - Preschool Grants, Recovery Act (H392A090112)	84.392	616,844
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act (S394A090047)	84.394	23,691,696
<u>Department of Behavioral Health and Developmental Services</u>		
Special Education-Grants for Infants and Families	84.181	1,101,049
Special Education - Grants for Infants and Families, Recovery Act	84.393	589,400
<u>Compensation Board</u>		
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	11,271,022
Department of Health and Human Services		
Direct Awards:		
Drug-Free Communities Support Program Grants	93.276	74,455
Head Start	93.600	6,972,010
ARRA - Head Start	93.708	149,078
ARRA - Early Head Start	93.709	226,222
Medicare_Prescription Drug Coverage	93.770	1,249,630
Medical Assistance Program	93.778	1,426,939
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	93.042	33,966
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	644,237
Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045	1,119,308
National Family Caregiver Support, Title III, Part E	93.052	190,997
ARRA - Aging Home-Delivered Nutrition Services for States	93.705	29,120
ARRA - Aging Congregate Nutrition Services for States	93.707	29,667
Medicare_Supplementary Medical Insurance	93.774	5,280
<u>Department of Health</u>		
Public Health Emergency Preparedness (CDC-RFA-TP08-802)	93.069	1,206,006
Project Grants and Cooperative Agreements for Tuberculosis Control Programs (609-409-93116-06-7)	93.116	168,830
Immunization Grants (409-EE-1000-4401300-43273-00-00-09)	93.268	65,621
ARRA - Immunization (DOI-ARRA-1267-409)	93.712	3,763
National Bioterrorism Hospital Preparedness Program	93.889	3,742
Maternal and Child Health Services Block Grant to the States (409-OFHSMCH-08)	93.994	245,368
<u>Department of Behavioral Health and Developmental Services</u>		
Projects for Assistance in Transition from Homelessness (PATH)	93.150	156,881
National Bioterrorism Hospital Preparedness Program	93.889	875
Block Grants for Community Mental Health Services	93.958	1,261,722
Block Grants for Prevention and Treatment of Substance Abuse	93.959	3,320,517
<u>Department of Social Services</u>		
Promoting Safe and Stable Families	93.556	91,416
Temporary Assistance for Needy Families (RFP-BEN-08-007-11)	93.558	4,790,884
Refugee and Entrant Assistance_State Administered Programs	93.566	450,575
Low-Income Home Energy Assistance	93.568	188,252
Community Services Block Grant	93.569	584,272
Child Care and Development Block Grant	93.575	5,951,521
ARRA - Child Care and Development Block Grant (ECD-09-063-04)	93.575	10,214
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	7,390,046
Chafee Education and Training Vouchers Program (ETV)	93.599	44,186
Adoption Incentive Payments	93.603	8,734
Child Welfare Services_State Grants	93.645	7,514
Foster Care_Title IV-E	93.658	4,964,256
ARRA - Foster Care_Title IV-E	93.658	156,295
Adoption Assistance	93.659	1,908,633
ARRA - Adoption Assistance	93.659	193,108
Social Services Block Grant	93.667	2,111,580
Family Violence Prevention and Services/Grants for Battered Women's Shelters_Grants to States and Indian Tribes	93.671	6,492
Chafee Foster Care Independence Program	93.674	64,515

COUNTY OF FAIRFAX, VIRGINIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	Expenditures
ARRA - Community Services Block Grant (CVS-09-066-08)	93.710	\$608,011
ARRA - Child Care and Development Block Grant	93.713	1,185,736
ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs	93.714	771,946
Children's Health Insurance Program	93.767	278,650
Medical Assistance Program	93.778	3,536,359
Passed Through the National Association of County and City Health Officials (NACCHO)		
Medical Reserve Corps Small Grant Program (MRC 07465, MRC 10 0169)	93.008	4,479
Passed through the Northern Virginia Regional Commission:		
HIV Care Formula Grants	93.917	49,353
Department of Homeland Security		
Direct Awards:		
National Urban Search and Rescue (US&R) Response System	97.025	885,192
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	545,093
Assistance to Firefighters Grant	97.044	86,887
Passed Through the Commonwealth of Virginia:		
<u>Department of Emergency Management</u>		
Pilot Demonstration or Earmarked Projects	97.001	62,487
Emergency Management Performance Grants	97.042	73,036
State Homeland Security Program (SHSP)	97.073	362,843
Passed Through the District of Columbia Homeland Security & Emergency Management Agency:		
Homeland Security Grant Program (7UASI533-01, 7UASI533-02, 7UASI533-04, 7UASI533-05, 8UASI533-01, 8UASI533-02, 8UASI533-03, 8UASI533-04, 9UASI533-01, 9UASI533-02, 9UASI533-03)	97.067	6,186,719
United States Agency for International Development		
Direct Awards:		
USAID Foreign Assistance for Programs Overseas	98.001	4,866,431
		<u>\$315,609,717</u>

COUNTY OF FAIRFAX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes all federal grant activity of the County of Fairfax, Virginia (County) and its component units, except that 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 OMB 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) Non-Cash and Other Programs

Women, Infant and Children (WIC) program vouchers are issued by the Commonwealth of Virginia to eligible County citizens during the year. The value of these vouchers is not included on the accompanying schedule because the Virginia 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 of Virginia Department of Health (VDH) administers the H1N1 vaccine distribution within the Commonwealth of Virginia. VDH reports values for all the H1N1 vaccines. In FY 2010, the Fairfax County Health Department (HD) received 90,775 free doses of the H1N1 vaccine from VDH. These doses were utilized in the County's efforts to prevent the spread of the Swine Flu virus during the year. The value of these vaccines is not included on the accompanying schedule.

The Commonwealth of Virginia Department of Agriculture and Consumer Services (VDACS), Division of Marketing, administers the United States Department of Agriculture (USDA) donated food program within the Commonwealth of Virginia. USDA provides values for all donated food. For CFDA number 10.555, the County received a net value of donated food in the amount of \$600,840 for the year ended June 30, 2010.

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 \$10,579,000 at June 30, 2010. In addition, FCRHA held Federal Housing Administration (FHA) insured mortgage revenue bonds secured by land, buildings, and equipment of \$4,825,000 at June 30, 2010. 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 of the Public and Indian Housing grant (14.850). Such payments totaled \$165,324 during the year ended June 30, 2010.

COUNTY OF FAIRFAX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

The Homeland Security Grant Program (97.067) is granted by the U.S. Department of Homeland Security to enhance the ability of state and local governments to prepare, prevent, respond to, and recover from terrorist attacks and other disasters. The State Homeland Security Program (97.073) is also granted by the U.S. Department of Homeland Security to build capabilities to prevent, deter, respond to, and recover from incidents of terrorism at the state and local levels through planning, equipment, training, and exercise activities and support the implementation of state homeland security strategies and key elements of the national preparedness architecture. Several Washington, DC metropolitan jurisdictions receive funding under these two programs. In addition to purchasing equipment or supplies for their own jurisdiction, they may purchase these items for surrounding jurisdictions and then transfer, or donate, the items to other jurisdictions per the federal government or pass-through entity's instructions. For the year ended June 30, 2010, Fairfax County purchased and transferred equipment or supplies valued at \$314,049 for the Homeland Security Grant Program (97.067) and \$34,347 for the State Homeland Security Program (97.073) to other jurisdictions.

(3) Totals by Program

Federal programs are awarded to the County either directly by a federal agency or through a pass-through entity. Some program funding is received both directly and through a pass-through entity, and some is received through multiple pass-through entities. Additionally, a federal agency may request the County to provide a higher level of detail on the Schedule of Expenditures of Federal Awards, rather than a total by federal catalogue number. The following programs, reported in multiple line items in the accompanying schedule, are totaled here:

COUNTY OF FAIRFAX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<u>Program Title</u>	<u>Number</u>	<u>Program</u>
National School Lunch Program	10.555	\$ 20,811,130
Child and Adult Care Food Program	10.558	4,610,637
State Administrative Matching Grants for the Supplemental Nutrition Assistance Proq	10.561	6,408,015
Watershed Rehabilitation Program	10.916	1,349,454
Resident Opportunity and Supportive Services	14.870	179,357
WIA Adult Program	17.258	761,845
WIA Youth Activities	17.259	479,121
WIA Dislocated Workers	17.260	1,882,549
Highway Planning and Construction	20.205	833,989
Child Care and Development Block Grant	93.575	5,961,735
Foster Care - Title IV-E	93.658	5,120,551
Adoption Assistance	93.659	2,101,741
Medical Assistance Program	93.778	4,963,298
National Bioterrorism Hospital Preparedness Program	93.889	4,617

COUNTY OF FAIRFAX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

(4) Totals by Clusters

Federal programs with different Catalog of Federal Domestic Assistance numbers are defined as a cluster of programs because they are closely related programs that share common compliance requirements as defined by OMB Circular A-133. Of the federal expenditures presented in the Schedule, programs that are parts of a cluster are shown as follows:

COUNTY OF FAIRFAX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<u>Name of Cluster</u>	<u>Programs Title</u>	Federal Catalogue	Total by
		Number	Program
Child Nutrition Cluster	School Breakfast Program	10.553	\$3,066,358
	National School Lunch Program	10.555	20,811,130
	Summer Food Service Program for Children	10.559	312,510
Child Nutrition Cluster Total			24,189,998
State Nutritional Assistance Program (SNAP) Cluster	State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	6,336,997
	ARRA - State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	71,018
			6,408,015
SNAP Cluster Total			6,408,015
Community Development Block Grant (CDBG) Cluster	Community Development Block Grant/Entitlement Grants	14.218	7,106,749
	Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)	14.253	517,288
			7,624,037
CDBG - Entitlement Grants Cluster Total			7,624,037
Housing Voucher Cluster	Section 8 Housing Choice Vouchers	14.871	42,506,727
Housing Voucher Cluster Total			42,506,727
Capital Fund Program (CFP) Cluster	Public Housing Capital Fund	14.872	1,712,921
	Public Housing Capital Fund Stimulus (Formula) Recovery Act Funded	14.885	2,294,177
			4,007,098
CFP Cluster Total			4,007,098
Workforce Investment Act (WIA) Cluster	WIA Adult Program	17.258	497,947
	ARRA - WIA Adult Program	17.258	263,898
	WIA Youth Activities	17.259	265,308
	ARRA - WIA Youth Activities	17.259	213,813
	WIA Dislocated Workers	17.260	1,297,135
	ARRA - WIA Dislocated Workers	17.260	585,414
WIA Cluster Total			3,123,515
Highway Planning and Construction Cluster	Highway Planning and Construction	20.205	833,989
Highway Planning and Construction Cluster Total			833,989
Federal Transit Cluster	Federal Transit - Capital Investment Grants	20.500	1,762,750
Federal Transit Cluster Total			1,762,750
Title I, Part A Cluster	Title I Grants to Local Educational Agencies	84.010	16,800,653
	Title I Grants to Local Educational Agencies, Recovery Act	84.389	6,632,093
Title I, Part A Cluster Total			23,432,746

COUNTY OF FAIRFAX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

Special Education Cluster (IDEA)	Special Education_Grants to States	84.027	\$36,054,576
	Special Education_Preschool Grants	84.173	791,166
	Special Education Grants to States, Recovery Act	84.391	16,014,982
	Special Education - Preschool Grants, Recovery Act	84.392	616,844
	Special Education Cluster (IDEA) Total		53,477,568
Impact Aid Cluster	Impact Aid	84.041	4,159,466
	Impact Aid Cluster Total		4,159,466
Early Intervention Services (IDEA) Cluster	Special Education-Grants for Infants and Families	84.181	1,101,049
	Special Education - Grants for Infants and Families, Recovery Act	84.393	589,400
	Early Intervention Services (IDEA) Cluster Total		1,690,449
Educational Technology State Grants Cluster	Education Technology State Grants	84.318	81,268
	Education Technology State Grants, Recovery Act	84.386	249,781
	Educational Technology State Grants Cluster Total		331,049
State Fiscal Stabilization Fund Cluster	State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	23,691,696
	State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	11,271,022
	State Fiscal Stabilization Fund Cluster Total		34,962,718
Aging Cluster	Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	644,237
	Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045	1,119,308
	ARRA - Aging Home-Delivered Nutrition Services for States	93.705	29,120
	ARRA - Aging Congregate Nutrition Services for States	93.707	29,667
	Aging Cluster Total		1,822,332
Temporary Assistance for Needy Families (TANF) Cluster	Temporary Assistance for Needy Families (TANF) State Programs	93.558	4,790,884
	ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs	93.714	771,946
	TANF Cluster Total		5,562,830
Community Services Block Grant Cluster	Community Services Block Grant	93.569	584,272
	ARRA - Community Services Block Grant	93.710	608,011
	CSBG Cluster Total		1,192,283

COUNTY OF FAIRFAX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

CCDF Cluster	Child Care and Development Block Grant	93.575	\$5,951,521
	ARRA - Child Care and Development Block Grant	93.575	10,214
	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	7,390,046
	ARRA - Child Care and Development Block Grant	93.713	1,185,736
CCDF Cluster Total			<u><u>14,537,517</u></u>
Head Start Cluster	Head Start	93.600	6,972,010
	ARRA - Head Start	93.708	149,078
	ARRA - Early Head Start	93.709	226,222
Head Start Cluster Total			<u><u>7,347,310</u></u>
Medicaid Cluster	Medical Assistance Program	93.778	4,963,298
Medicaid Cluster Total			<u><u>4,963,298</u></u>
Homeland Security Cluster	Homeland Security Grant Program	97.067	6,186,719
Homeland Security Cluster Total			<u><u>6,186,719</u></u>
Grand Total			<u><u>\$250,122,414</u></u>

COUNTY OF FAIRFAX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

(5) Subrecipients

Of the federal expenditures presented in the Schedule, the County provided federal awards to subrecipients as follows:

Program Title	Federal Catalogue Number	Amount Provided to Subrecipients
Community Development Block Grant/Entitlement Grants	14.218	\$1,701,327
Shelter Plus Care	14.238	1,306,844
Head Start	93.600	1,627,418
ARRA - Head Start	93.708	78,058
Total		<u>\$4,713,647</u>

COUNTY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

(1) Summary of Auditors' Results

A. Type of report issued on the financial statements: **Unqualified**

B. Internal control over financial reporting:

Significant deficiencies identified that are not considered a material weakness? **None reported**

Material weakness identified? **None**

C. Noncompliance material to financial statements noted? **None reported**

D. Significant deficiencies in internal control over major programs noted? **Yes, finding 2010-02**

E. Material weaknesses in internal control over major programs noted? **Yes, findings 2010-01, 2010-03, 2010-04, 2010-05, and 2010-07**

F. Type of report issued on compliance for major programs:

Qualified opinion for equipment and real property management (National Clean Diesel Funding Assistance (CFDA No. 66.039)).

Qualified opinion for level of effort (Special Education Cluster (CFDA #84.027 / 84.173 / 84.391 / 84.392)).

Unqualified opinions over other applicable compliance requirements for all other major programs.

G. Any findings which are required to be reported under Section .510(a) of OMB Circular A-133?
Yes

COUNTY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

H. Major programs are as follows:

- (1) State Nutrition Assistance Program Cluster (CFDA #10.551 / 10.561)
- (2) Watershed Rehabilitation Program (CFDA #10.916)
- (3) Community Development Block Grant Cluster (CFDA #14.218 / 14.253)
- (4) Homelessness Prevention and Rapid Re-Housing (CFDA #14.257)
- (5) Capital Fund Program Cluster (CFDA #14.872 / 14.885)
- (6) Edward Byrne Justice Assistance Grant (CFDA #16.803)
- (7) Workforce Investment Act Cluster (CFDA #17.258 / 17.259 / 17.260)
- (8) National Clean Diesel Funding Assistance Program (CFDA #66.039)
- (9) Capitalization Grants for Clean Water (CFDA #66.458)
- (10) Title I Cluster (CFDA #84.010 / 84.389)
- (11) Special Education Cluster (CFDA #84.027 / 84.173 / 84.391 / 84.392)
- (12) Impact Aid (CFDA #84.041)
- (13) IDEA Cluster (CFDA #84.181 / 84.393)
- (14) Education Technology State Grants Cluster (CFDA #84.318 / 84.386)
- (15) State Fiscal Stabilization Fund Cluster (CFDA #84.394 / 84.397)
- (16) Aging Cluster (CFDA #93.044 / 93.045 / 93.053 / 93.705 / 93.707)
- (17) Temporary Assistance for Needy Families Cluster (CFDA #93.558 / 93.714)
- (18) Community Services Block Grant Cluster (CFDA #93.569 / 93.710)
- (19) Child Care Development Fund Cluster (CFDA #93.575 / 93.596 / 93.713)
- (20) Head Start Cluster (CFDA #93.600 / 93.708 / 93.709)
- (21) Foster Care (CFDA #93.658)
- (22) Adoption Assistance (CFDA #93.659)
- (23) USAID Foreign Assistance Program (CFDA #98.001)

I. Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000

J. Auditee qualified as a low-risk auditee? Yes

(2) Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards

None

COUNTY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

(3) Findings and Questioned Costs for Federal Awards

Finding 2010-01 – Eligibility

Program

Child Care Development Fund Cluster (CFDA No. 93.575 / 93.596 / 93.713, (ECD-09-063-04) Grant Year 2010)

Condition:

During our Single Audit test work, we noted instances where an insufficient audit trail existed, and thus, we were not able to complete our testing over the eligibility determination process:

1. For a sample of 65 families receiving assistance from the Child Care Development Fund, we noted two instances where the family's application was not appropriately signed by the County's Eligibility Worker to document that the required re-determination was performed.
2. For a sample of 65 families receiving assistance from the Child Care Development Fund, we noted one instance where supporting documentation could not be provided to verify that the family appropriately resided within Fairfax County.

In both conditions noted above, the families were otherwise deemed to be eligible based upon evidence in the respective case file. The condition noted describes a deficiency in maintaining the appropriate eligibility documentation.

Criteria:

Grantee is required to maintain adequate internal controls to prevent and detect instances of noncompliance.

Cause:

These instances of noncompliance are indicative of a control deficiency regarding inadequate/ineffective review of eligibility determination files and a failure to maintain adequate supporting documentation in the case file to substantiate eligibility determinations.

Effect:

Undeterminable; however, the monthly disbursement tested was approximately \$1,650 for the participant in part 2 of the condition above.

Questioned Costs:

None noted as the participants were otherwise eligible.

COUNTY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Recommendation:

County program management should follow current policies and procedures in place to ensure compliance with the program's requirements. Specifically:

- An effective quality control review of eligibility determinations should be performed to ensure that policies and procedures are being followed by the Eligibility Workers and are effectively monitored.
- Documentation used during the eligibility determination should be maintained in the case files in accordance with County policy and applicable federal regulations to appropriately support program participant eligibility.

Management Response:

Finding #1: To ensure compliance in the future, each application/recertification will be reviewed by the Human Service Worker as well as their Child Care Specialist teammate. A notation on the last page of the application to the effect: "All required signed and dated documents are in the record" will be signed and dated by both.

Finding #2: Although we have reason to believe that the proof of residency document for the cited case was, in fact, received, we have been unable to locate that documentation. We, therefore, concur with the finding that the file was incomplete at the time of audit. However, documentation from ADAPT demonstrates the case met residency requirements at the time of the audit. Since the audit, we have received further confirmation of the family's eligibility. In the future, file reviews by two individuals (as indicated above) will serve as additional assurance that files are complete. (Note for the record: Following the auditor's report of this deficiency, the department has obtained documentation of the family's eligibility. No further action on this case is required.)

Finding 2010-02 – Davis-Bacon

Program:

Watershed Rehabilitation Program (CFDA No. 10.916, Grant Year 2010)

Condition:

During our testwork over grant expenditures, we noted that two of six certified payrolls sampled for testing showed evidence that the respective vendor paid the same employee in each payroll an amount below the minimum wage-rate in violation of the Davis-Bacon Act. Specifically, the employee was paid at a rate of \$23.98 per hour when the minimum rate for the related type work was \$36.95 per hour. County grant program management's review of the respective certified payrolls did not identify this noncompliance.

Criteria:

Program management is required to maintain adequate internal controls to ensure compliance with the grant's requirements for certified payrolls.

COUNTY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

The requirements for Davis-Bacon are contained in 40 USC 3141-3144, 3146, and 3147; 29 CFR part 29; the A-102 Common Rule (§____.36(i)(5)); OMB Circular A-110 (2 CFR part 215, Appendix A, Contract Provisions); program legislation; Section 1606 of ARRA and OMB guidance at 2 CFR part 176, Subpart C; Federal awarding agency regulations; and the terms and conditions of the award (including that imposed by ARRA).

Cause:

The condition noted is indicative of a control deficiency regarding inadequate/ineffective review of certified vendor payrolls.

Effect:

Failure to adequately review certified payrolls received from vendors increases the risk that violations of the Davis-Bacon Act requirements applicable to federally funded programs will occur, which may result in reductions in future program funding.

Questioned Costs:

None as the grant was under-charged for related activities.

Recommendation:

County program management should re-emphasize the importance of its current policies and control procedures related to program compliance and perform a thorough review to prevent noncompliance with the Davis-Bacon Act requirements.

Management Response:

In an effort to proactively address the condition described above, the Stormwater Planning Division and the Construction Management Division of the Department of Public Works and Environmental Services are currently developing an additional step in reviewing the certified payroll submissions to ensure this oversight does not occur again and that federal requirements pertaining to Davis-Bacon wages are met. The contractor, Environmental Quality Resources L.L.C. (EQR) has corrected the instance for the May 8, 2010 payroll. Further information and research are required to address the instance cited for May 29, 2010.

Finding 2010-03 – Procurement, Suspension & Debarment

Program:

Watershed Rehabilitation Program (CFDA No. 10.916, Grant Year 2010)

Condition:

During our suspension and debarment testwork over the program's procurement of architecture/engineering/design services, we noted that County program management did not verify that vendors were not suspended or debarred. Neither the Department of Public Works and Environmental Services (DPWES) nor the program manager checked the Excluded Parties List

COUNTY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

System, collected a certification from the vendor, or added a clause to the service contract that requires the vendor to certify they have not been suspended or debarred.

Criteria:

Management is required to maintain adequate internal controls to prevent and detect instances of noncompliance.

The requirements for suspension and debarment are contained OMB guidance in 2 CFR part 180, which implements Executive Orders 12549 and 12689, Debarment and Suspension; Federal agency regulations in 2 CFR implementing the OMB guidance; the A-102 Common Rule (§____.36); OMB Circular A-110 (2 CFR section 215.13); program legislation; Federal awarding agency regulations; and the terms and conditions of the award.

Cause:

The County's program management did not have in place a procedure to verify grant contractors were appropriately not suspended or debarred in accordance with grant requirements.

Effect:

The failure to adequately review whether or not vendors are suspended/debarred from doing business with the federal government (including federal grant programs) results in a failure of internal controls and noncompliance with program requirements, which may result in reductions in future program funding.

Questioned Costs:

None as the vendors reviewed were determined not to be suspended or debarred.

Recommendation:

We recommend that County program management enhance existing policies and procedures to incorporate a specific determination of vendor suspension and debarment status at the issuance of the contract and at a set period of time throughout the contract (e.g., annually) to re-confirm their suspension and debarment status.

Management Response:

In an effort to proactively address the condition described above, effective immediately the Stormwater Management Division will check the Excluded Parties List System on all of the architecture/engineering/design service vendors prior to applying related expenditures to the federal programs. A screen print will be obtained from the Excluded Parties List System to verify compliance with the suspension and debarment requirements. The vendors will be monitored yearly after the initial check.

Finding 2010-04 – Equipment and Real Property Management

Program:

National Clean Diesel Funding Assistance (CFDA No. 66.039, Grant Year 2010)

COUNTY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Condition:

As of June 30, 2010, the County was in the process of performing its program related equipment deployment procedures. As the deployment had not been completed by fiscal year end, program management had not updated the County's capital asset inventory to include all clean diesel devices purchased with grant funds whether already installed on or yet to be installed on its vehicles.

Criteria:

The requirements for equipment are contained in the A-102 Common Rule (§____.32), OMB Circular A-110 (2 CFR section 215.34), program legislation, Federal awarding agency regulations, and the terms and conditions of the grant award. The A-102 Common Rule requires that equipment be used in the program for which it was acquired or, when appropriate, other Federal programs. Equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained.

Cause:

Program management decided to not enter the equipment purchases into the County's FASGov system when acquired, but instead intended to enter all clean diesel equipment into the system when the installation project was fully completed.

Effect:

The failure of internal controls surrounding the tracking and inventory of equipment purchased with federal funds can lead to a greater potential for noncompliance with federal grant requirements and a failure to adequately safeguard such assets. Since these assets were not entered into FASGov when acquired, they were not subjected to the inventory procedures performed by the County. Noncompliance with grant requirements may result in reductions in future program funding.

Questioned Costs:

None as all purchased capital assets were for allowable activities.

Recommendation:

We recommend that the County adhere to its established policies and procedures to record the purchase of capital assets when acquired so to adequately maintain and safeguard its equipment. Such internal control procedures will help to ensure compliance with federal grant program requirements.

Management Response:

Management does not concur with the finding. The procedure followed complies completely with the letter and intent of the terms of the grant. The grant terms and conditions do not state or imply a timeframe for inventory record entry except that all terms and conditions must be certified as met at the end of the performance period (originally Oct. 31, 2010, now extended to April 30, 2011); and a

COUNTY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

physical inventory of the units is required at least once every two years (first due no later than April 6, 2012).

The finding correctly implies that the time between receipt and recording in inventory was unusually long. This grant-funded acquisition of add-on equipment for vehicles is unprecedented and required consideration of several alternatives to satisfy the terms and conditions of the grant. Since we have now determined the most appropriate process, we will be able to enter the records sooner after receipt should the situation recur.

Since receipt of the first item the project manager has maintained an electronic database tracking the location and status of each unit the county has accepted. DVS will consult with DPSM and DOF to ensure that for any future, similar situations such documentation contains sufficient information to satisfy accounting standards.

KPMG response:

KPMG has read the County's response and considers our finding to be appropriate as presented.

Finding 2010-05 – Allowable Costs

Program:

Head Start Cluster (CFDA No. 93.600/93.708/93.709, Grant Year 2010)

Condition:

During our allowable cost testwork related to payroll expenditures charged to the grant, we noted the following:

1. For a sample of 40 Head Start expenditures tested, we noted that two timesheets did not have evidence of a supervisor's approval in accordance with County and grant allowable cost requirements.
2. For a sample of 40 Head Start expenditures tested, we noted one time sheet, although approved by a supervisor, which reflected more hours worked than the hours recorded in County's payroll system.

Criteria:

The principles for allowable costs are contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* (2 CFR part 225), program legislation, Federal awarding agency regulations, and the terms and conditions of the grant award.

Cause:

County personnel did not consistently follow County prescribed procedures regarding the review of employee timesheets.

COUNTY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Effect:

The failure of internal controls surrounding the review of employee timesheets could lead to a greater potential for noncompliance with federal grant requirements, which may result in reductions in future program funding.

Questioned Costs:

The payroll charges reimbursed by the grant for the two timesheets noted were approximately \$5,200. There is no question cost for the timesheet with hours greater than that recorded in the payroll system as those excess hours were not charged to the grant.

Recommendation:

We recommend that the County adhere to established policies and procedures to ensure the adequate review of all payroll expenses charged to the program.

Management Response:

The policy of Head Start management and payroll staff is to fully implement Fairfax County's Personnel/Payroll Administration Policies and Procedures Memorandum No. 8, "Time and Attendance Controls."

The County's policy on time sheet authorization provides for three levels of review:

1. The immediate supervisor or higher level manager must sign the time sheet;
2. The division timekeeper performs a second level review of each employee's time and are responsible for, among other things, ensuring that the necessary supervisory approval has been completed; and
3. The agency payroll contact perform the last level of review in order to ensure proper reconciliation of time and exceptions and also ensuring that supervisory approval has been completed.

Findings:

1. The audit noted that two timesheets did not show evidence of a supervisor's approval; and
2. One time sheet, although approved, reflected more hours than recorded in the County's PRISM payroll system

Corrective Action Plan

Finding #1: We concur with the finding. Staff has been counseled about the importance of processing timesheets with proper supervisory approval. The Office for Children Human Resources Manager has sent an email to all staff reiterating that time sheets will only be processed with appropriate supervisory approval.

Finding #2: We concur with the finding. The error correction noted by the auditor was made with the prior knowledge of both the employee and the supervisor, but the time sheet does not reflect that

COUNTY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

fact. In the future, any proposed entry to PRISM that is different from the entry on the approved timesheet will be initialed by both the employee and the supervisor prior to entry to PRISM. When time is critical, an email notification to both will be made and a copy of that notice will remain with the timesheet.

Finding No. 2010-06 – Level of Effort

Program:

Special Education Cluster (CFDA No. 84.027/84.173/84.391/84.392 (H027A090107, H027A080107, H173A090112, H391A090107, H392A090112) Grant Year 2010)

Condition:

The County can demonstrate meeting the Special Education Maintenance of Effort (MOE) requirement by satisfying any one of four options.

1. Option #1 - Local Special Education expenditures increase from the prior year;
2. Option #2 - Local Special Education expenditures per pupil increase from the prior year;
3. Option #3 - Local plus State Special Education expenditures increase from the prior year; or
4. Option #4 - Local plus State Special Education expenditures per pupil increase from the prior year.

During our level of effort testing, we reviewed the County's Special Education expenditure and enrollment data and determined that none of the four tests above were achieved by the County. As such, the County is not compliant with the level of effort requirements of the program. We noted that Fairfax County Public Schools was actively monitoring its status of progress towards fulfilling the MOE requirements and was aware that they were not compliant for the year under audit. As such, we did not consider this a control deficiency.

Criteria:

The requirements for Special Education level of effort determinations are contained in 20 USC 1413.

Cause:

Insufficient County and state funding was made available for Fairfax County Public Schools to maintain the level of effort required under the Special Education program.

Effect:

The failure to meet the level of effort requirements results in program noncompliance with federal grant requirements, which may result in reductions in future program funding.

Recommendation:

We recommend that the County continue to monitor its progress towards meeting the level of effort requirements throughout the fiscal year and that adjustments be made to activities to ensure expenditures levels are maintained in accordance with the grants requirements.

COUNTY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Management Response:

The appropriate use of the ARRA IDEA funds was discussed at length with the Virginia Department of Education (VDOE) especially in relation to MOE through the Spring and Summer of 2010. Based on guidance from VDOE, FCPS made plans for the expenditures of the funds based on the waivers that the State indicated were appropriate. We were required to file the annual report before the guidelines for the waivers had been finalized and told that requests for use of the waivers would come after the annual report had been filed. The State contacted FCPS on October 27, 2010, to discuss the failure to meet MOE and the steps to pursue all appropriate waivers allowable by the U.S. Department of Education. A VDOE memo to division superintendents dated November 5, 2010, provides guidance (http://www.doe.virginia.gov/administrators/superintendents_memos/2010/271-10.shtml). FCPS will continue to pursue the waivers and is confident in meeting the compliance with the Special Education Level of Effort discussed in 20 USC 1413.

Finding No. 2010-07 – Procurement, Suspension and Debarment

Program:

Clean Water State Revolving Fund (CFDA No. 66.458, Grant Year 2010)

Condition:

During our suspension and debarment testwork related to the program's procurement of engineering and construction services, it was noted that the County did not have a procedure in place to verify that related transactions were in compliance with the suspension and debarment requirements of the grant. Neither the DPWES nor the program manager checked the Excluded Parties List System, obtained a positive compliance certification from the vendor or added a clause to the vendor service contract requiring the vendor to certify that they were not suspended or debarred.

Criteria:

Management is required to maintain adequate internal controls to prevent and detect instances of noncompliance.

Specifically, when a non-federal entity enters into a transaction with an entity, the non-federal entity must verify that it is not suspended or debarred. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), obtaining a certification from the vendor, or adding a contractual clause to the covered transaction with that entity (2 CFR sections 180.300).

The requirements for suspension and debarment are contained OMB guidance in 2 CFR part 180, which implements Executive Orders 12549 and 12689, Debarment and Suspension; Federal agency regulations in 2 CFR implementing the OMB guidance; the A-102 Common Rule (§____.36); OMB Circular A-110 (2 CFR section 215.13); program legislation; Federal awarding agency regulations; and the terms and conditions of the award.

COUNTY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Cause:

County program management did not have a process in place to check the EPLS, obtain a certification from the vendor or add a clause to the contract to ensure that the vendor had not been suspended or debarred.

Effect:

The failure to adequately review whether vendors are suspended or debarred from doing business with the County through its federal grant programs results from a failure of internal controls and noncompliance with program requirements. Consequently, noncompliance with grant requirements may result in reductions in future program funding.

Questioned Costs:

None as the vendors reviewed were determined not to be suspended or debarred

Recommendation:

We recommend that County program management enhance existing policies and procedures to incorporate a specific determination of vendor suspension and debarment status at the issuance of the contract and at a set period of time throughout the contract (e.g., annually) to re-confirm their suspension and debarment status.

Management Response:

The deficiency has been corrected. The procedures for contract award will be modified to include checking for suspended or debarred vendors during the bid review process, if the project is funded in order to comply with this requirement. This should be completed by the end of December 2010. It should be noted that the program does not anticipate any future grant funds being available for future projects.