



COUNTY OF FAIRFAX, VIRGINIA

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

June 30, 2015

(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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia (the Specifications), 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, 2015, and the related notes to the financial statements, which comprise the County's basic financial statements, and have issued our report thereon dated November 16, 2015. As discussed in Note N to the financial statements, in fiscal year 2015, the County implemented the Governmental Accounting Standards Board Statement No. 68 *Accounting and Financial Reporting for Pensions –an amendment of GASB Statement No.27*, and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter. Our report includes a reference to other auditors who audited the financial statements of the Fairfax County Redevelopment and Housing Authority (FCRHA), as described in our report on the County's financial statements. 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 of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Board of Supervisors
November 16, 2015
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the Specifications in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

November 16, 2015



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Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*

The Board of Supervisors
County of Fairfax, Virginia

Report on Compliance for Each Major Federal Program

We have audited the County of Fairfax, Virginia's (the County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2015. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified and modified audit opinions on compliance. However, our audit does not provide a legal determination of the County's compliance.



Basis for Qualified Opinions on the Three Major Federal Programs Identified in Table I

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding the following:

Table I				
Federal Awarding Agency	CFDA Number	Major Program	Compliance Requirement	Finding Number
U.S Department of Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants and Children	Reporting	2015-002
U.S. Department of Housing and Urban Development	14.881	Moving to Work Demonstration Program	Special Tests and Provisions – Housing Quality Standards	2015-005
U.S. Department of Health and Human Services	93.778	Medical Assistance Program	Eligibility	2015-008

Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to those programs.

Qualified Opinions on the Three Major Federal Programs Identified in Table I

In our opinion, except for the noncompliance described in the Basis for Qualified Opinions paragraph, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs identified in Table I for the year ended June 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and 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 a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance identified in Table II and described in the accompanying schedule of findings and questioned costs, to be material weaknesses.

Table II – Material Weaknesses in Internal Control Over Compliance				
Federal Awarding Agency	CFDA Number	Major Program	Compliance Requirement	Finding Number
U.S Department of Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants and Children	Reporting	2015-002
U.S. Department of Housing and Urban Development	14.881	Moving to Work Demonstration Program	Special Tests and Provisions – Housing Quality Standards	2015-005
U.S. Department of Health and Human Services	93.778	Medical Assistance Program	Eligibility	2015-008

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 deficiencies in internal control over compliance identified in Table III and described in the accompanying schedule of findings and questioned costs, to be significant deficiencies.



Table III – Significant Deficiencies in Internal Control Over Compliance

Federal Awarding Agency	CFDA Number	Major Program	Compliance Requirement	Finding Number
U.S. Department of Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants and Children	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2015-001
U.S. Department of Housing and Urban Development	14.881	Moving to Work Demonstration Program	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2015-003
U.S. Department of Housing and Urban Development	14.881	Moving to Work Demonstration Program	Procurement and Suspension and Debarment	2015-004
U.S. Department of Education	84.010	Title I Grants to Local Educational Agencies	Special Tests and Provisions – Highly Qualified Teachers	2015-006
U.S. Department of Health and Human Services	93.558	Temporary Assistance for Needy Families	Eligibility	2015-007
U.S. Agency for International Development	98.001	USAID Foreign Assistance for Programs Overseas	Procurement and Suspension and Debarment	2015-009

The County’s responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County’s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedules of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2015, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements. We issued our report thereon dated November 16, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from



and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

November 16, 2015

COUNTY OF FAIRFAX, VIRGINIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2015

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	2015 Expenditures
Office of National Drug Control Policy		
Passed Through the University of Maryland:		
High Intensity Drug Trafficking Area (HIDTA) Project	7.999	419,790
Department of Agriculture		
Direct Awards:		
National School Lunch Program	10.555	4,307,002
Fresh Fruit and Vegetable Program	10.582	392,530
Watershed Rehabilitation Program	10.916	695,917
Passed Through the Commonwealth of Virginia:		
<u>Department of Education</u>		
School Breakfast Program	10.553	5,050,475
National School Lunch Program	10.555	23,287,492
<u>Department of Juvenile Justice</u>		
School Breakfast Program	10.553	31,104
National School Lunch Program	10.555	59,093
<u>Department of Health</u>		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	3,475,953
Child and Adult Care Food Program	10.558	5,031,334
Summer Food Service Program for Children	10.559	842,417
<u>Department of Agriculture and Consumer Services</u>		
Child and Adult Care Food Program	10.558	1,231,084
<u>Department of Social Services</u>		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	8,961,669
<u>Department of Behavioral Health and Development Services</u>		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	139,158
Passed Through ABT Associates:		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	15,631
Department of Commerce		
Direct Awards:		
Chesapeake Bay Studies	11.457	19,612
Measurement and Engineering Research and Standards	11.609	2,000
Department of Defense		
Direct Awards:		
Junior ROTC (Department of Navy)	12.000	556,057
Army Youth Programs in Your Neighborhood	12.003	247,953
Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools	12.556	832,171
Invitational Grants for Military-Connected Schools	12.557	56,909
Community Investment	12.600	930,443

COUNTY OF FAIRFAX, VIRGINIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2015

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	2015 Expenditures
Department of Housing and Urban Development		
Direct Awards:		
Supportive Housing for Persons with Disabilities	14.181	118,413
Community Development Block Grants/Entitlement Grants	14.218	5,722,326
Emergency Solutions Grant Program	14.231	550,347
Home Investment Partnerships Program	14.239	2,323,088
Community Development Block Grant/Brownfield Economic Development Initiative	14.246	16,161
Continuum of Care Program	14.267	2,643,829
Fair Housing Assistance Program_State and Local	14.401	179,002
Resident Opportunity and Supportive Services - Service Coordinators VA019FSH677A014	14.870	12,565
Resident Opportunity and Supportive Services - Service Coordinators VA019RFS263A013	14.870	59,436
Resident Opportunity and Supportive Services - Service Coordinators VA019RFS225A012	14.870	16,800
Resident Opportunity and Supportive Services - Service Coordinators VA019RPS051A012	14.870	167,643
Section 8 Housing Choice Vouchers	14.871	3,946,941
Moving to Work Demonstration Program	14.881	50,630,474
Department of the Interior		
Direct Awards:		
Visitor Facility Enhancements - Refuges and Wildlife	15.654	2,574
National Wildlife Refuge Fund	15.659	77,477
Passed Through the Commonwealth of Virginia:		
<u>Department of Conservation and Recreation</u>		
Outdoor Recreation_Acquisition, Development and Planning	15.916	38,741
Department of Justice		
Direct Awards:		
Services for Trafficking Victims	16.320	220,136
Supervised Visitation, Safe Havens for Children	16.527	135,648
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	338,741
State Criminal Alien Assistance Program	16.606	618,417
Bulletproof Vest Partnership Program	16.607	12,678
Edward Byrne Memorial Justice Assistance Grant Program	16.738	48,086
Equitable Sharing Program	16.922	1,069,199
Passed Through the Commonwealth of Virginia:		
<u>Department of Criminal Justice Services</u>		
Sexual Assault Services Formula Program	16.017	110
Juvenile Accountability Block Grants	16.523	20,254
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	22,801
Crime Victim Assistance	16.575	90,594
Violence Against Women Formula Grants	16.588	68,556

COUNTY OF FAIRFAX, VIRGINIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2015

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	2015 Expenditures
Edward Byrne Memorial Justice Assistance Grant Program	16.738	36,245
<u>Department of Social Services</u>		
Crime Victim Assistance	16.575	30,207
Passed Through Northern Virginia Regional Gang Task Force:		
Youth Gang Prevention	16.544	19,416
Passed Through SkillSource Group:		
Prisoner Reentry Initiative Demonstration (Offender Reentry)	16.202	74,556
Department of Labor		
Passed Through the Commonwealth of Virginia:		
<u>Virginia Community College System</u>		
WIA Adult Program	17.258	1,194,131
WIA Youth Activities	17.259	1,355,095
WIA Dislocated Worker Formula Grants	17.278	1,270,808
Passed Through SkillSource Group:		
Workforce Innovation Fund	17.283	137,257
Veterans' Employment Program	17.802	220,318
Department of Transportation		
Direct Awards:		
Transportation Infrastructure Finance and Innovation Act (TIFIA) Program	20.223	34,241,819
Federal Transit_Capital Investment Grants	20.500	1,148,208
Job Access And Reverse Commute Program	20.516	6,613
Passed Through the Commonwealth of Virginia:		
<u>Department of Motor Vehicles</u>		
State and Community Highway Safety	20.600	13,988
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	96,548
National Priority Safety Programs	20.616	21,254
<u>Department of Transportation</u>		
Highway Planning and Construction	20.205	3,532,559
Job Access And Reverse Commute Program	20.516	545,048
<u>Department of Rail and Public Transportation</u>		
Highway Planning and Construction	20.205	133,408
<u>Department of Conservation and Recreation</u>		
Recreational Trails Program	20.219	78,967
Department of the Treasury		
Direct Awards:		
Treasury Fund Program Activity	21.000	638,247
Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009	12,444

COUNTY OF FAIRFAX, VIRGINIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2015

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	2015 Expenditures
Equal Employment Opportunity Commission		
Direct Awards:		
Employment Discrimination_Private Bar Program	30.005	79,242
National Aeronautics and Space Administration		
Direct Awards:		
Science	43.001	22,057
Department of Education		
Direct Awards:		
Impact Aid	84.041	2,725,871
Safe and Drug-Free Schools and Communities_National Programs	84.184	50,000
Fund for the Improvement of Education	84.215	152,249
Passed Through the Commonwealth of Virginia:		
<u>Department of Education</u>		
Adult Education - Basic Grants to States	84.002	1,772,054
Title I Grants to Local Educational Agencies	84.010	17,639,447
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	99,151
Special Education_Grants to States	84.027	34,363,637
Career and Technical Education -- Basic Grants to States	84.048	1,589,341
Special Education_Preschool Grants	84.173	710,665
Education for Homeless Children and Youth	84.196	100,326
Twenty-First Century Community Learning Centers	84.287	345,389
English Language Acquisition State Grants	84.365	4,161,068
Improving Teacher Quality State Grants	84.367	2,791,968
School Improvement Grants	84.377	87,740
<u>Department of Behavioral Health and Developmental Services</u>		
Special Education-Grants for Infants and Families	84.181	1,752,133
Passed Through the New York University:		
Investing in Innovation (i3) Fund	84.411	79,107
Department of Health and Human Services		
Direct Awards:		
PPHF - Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by Prevention and Public Health Funds	93.531	215,577
Head Start	93.600	7,567,078
Passed Through the Commonwealth of Virginia:		
<u>Department of the Aging and Rehabilitative Services</u>		
Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	3,652
Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	14,237
Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	93.043	2,044
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	653,041

COUNTY OF FAIRFAX, VIRGINIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2015

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	2015 Expenditures
Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045	944,931
National Family Caregiver Support, Title III, Part E	93.052	202,149
Nutrition Services Incentive Program	93.053	351,137
Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs financed by Prevention and Public Health Funds (PPHF)	93.734	57,932
Medical Assistance Program	93.778	13,189
<u>Department of Education</u>		
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	20,963
<u>Department of Health</u>		
Public Health Emergency Preparedness	93.069	206,244
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	32,690
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	205,802
Immunization Cooperative Agreements	93.268	70,896
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	430,643
Preventive Health and Health Services Block Grant	93.991	15,048
<u>Department of Behavioral Health and Developmental Services</u>		
Projects for Assistance in Transition from Homelessness (PATH)	93.150	138,608
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	178,125
Block Grants for Community Mental Health Services	93.958	1,238,924
Block Grants for Prevention and Treatment of Substance Abuse	93.959	3,095,575
<u>Department of Social Services</u>		
Promoting Safe and Stable Families	93.556	37,041
Temporary Assistance for Needy Families	93.558	4,624,528
Refugee and Entrant Assistance_State Administered Programs	93.566	330,870
Low-Income Home Energy Assistance	93.568	312,420
Community Services Block Grant	93.569	643,470
Child Care and Development Block Grant	93.575	270,495
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	557,244
Chafee Education and Training Vouchers Program (ETV)	93.599	29,408
Stephanie Tubbs Jones Child Welfare Services Program	93.645	26,858
Foster Care_Title IV-E	93.658	3,717,485
Adoption Assistance	93.659	3,203,398
Social Services Block Grant	93.667	3,066,592
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	26,148
Chafee Foster Care Independence Program	93.674	80,112
Children's Health Insurance Program	93.767	304,679
Medical Assistance Program	93.778	10,340,757
<u>Office of Children's Services</u>		
Social Services Block Grant	93.667	652,899
Passed Through Association of Food and Drug Officials:		
Food and Drug Administration_Research	93.103	5,831

COUNTY OF FAIRFAX, VIRGINIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2015

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	2015 Expenditures
Passed Through Child Development Resources (CDR):		
Child Care and Development Block Grant	93.575	229,611
Passed Through National Association of County and City Health Officials (NACCHO):		
Medical Reserve Corps Small Grant Program	93.008	1,019
Food and Drug Administration_Research	93.103	12,487
Department of Homeland Security		
Direct Awards:		
National Urban Search and Rescue (US&R) Response System	97.025	1,055,425
Assistance to Firefighters Grant	97.044	132,387
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	3,043,145
Pass Through the Commonwealth of Virginia:		
<u>Department of Emergency Management</u>		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	3,945
Emergency Management Performance Grants	97.042	71,293
Homeland Security Grant Program	97.067	273,827
State Homeland Security Program (SHSP)	97.073	1,152
Passed Through the District of Columbia:		
<u>Homeland Security & Emergency Management Agency</u>		
Homeland Security Grant Program	97.067	13,942,344
Agency for International Development		
Direct Awards:		
USAID Foreign Assistance for Programs Overseas	98.001	4,414,219
		306,134,987

COUNTY OF FAIRFAX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards includes all federal grant activity of the County of Fairfax, Virginia (County) and its component units. 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.

The American Recovery and Reinvestment Act of 2009 (Recovery Act) was enacted to promote economic recovery, make investments, and to minimize and avoid reductions in state and local government services. The stimulus dollars are identified in the accompanying schedule as "Recovery Act" or "ARRA".

(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 Agriculture and Consumer Services (VDACS), Food Distribution Program, 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, National School Lunch Program, the County received a net value of donated food in the amount of \$54,500 for the year ended June 30, 2015.

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. The loan program is reported under CFDA 14.248, Community Development Block Grant – Section 108 Loan Guarantees, and had outstanding principal due of \$11,572,000 at June 30, 2015.

The FCRHA provides loans to qualified low income borrowers through CFDA 14.239, Home Investment Partnerships Program (HOME), to promote home ownership and provide assistance with down payments and closing costs. The outstanding principal balance of the HOME loans was \$7,939,002 at June 30, 2015. The FCRHA also provides loans to qualified low income homeowners or homeowners living in areas targeted for improvement, resulting in the elimination of health or safety

COUNTY OF FAIRFAX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

code violations, through CFDA 14.218, Community Development Block Grants/Entitlement Grants (CDBG). The outstanding principal balance of the CDBG loans was \$14,468,843 at June 30, 2015.

In addition, the FCRHA held Federal Housing Administration (FHA) - insured mortgage revenue bonds secured by land, buildings, and equipment of \$3,880,000 at June 30, 2015.

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. Several Washington, DC metropolitan jurisdictions receive funding under this program. 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, 2015, Fairfax County purchased and transferred equipment or supplies valued at \$1,895,011 for the Homeland Security Grant Program (97.067) to other jurisdictions.

On December 17, 2014, the Economic Development Authority (EDA) and the County entered into a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan agreement under CFDA 20.223 with the United States Department of Transportation ("USDOT"). The TIFIA loan is for the aggregate principal amount of up to \$403.3 million. This loan is to fund the County's obligated project costs for the construction of Phase Two of the Metrorail Silver Line extension. The outstanding principal balance of the TIFIA loan was \$20,703,448 at June 30, 2015. The County's expenditures of \$34,241,819 as of June 30, 2015 for the TIFIA program (CFDA 20.223) are included on the accompanying schedule.

(3) Totals by Program

Federal programs are awarded to the County either directly by a federal agency or through a pass-through entity. Some programs are received both directly and through a pass-through entity, and some are 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, 2015

<u>Program Title</u>	<u>Number</u>	<u>Program</u>
School Breakfast Program	10.553	\$ 5,081,579
National School Lunch Program	10.555	27,653,587
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	3,491,584
Child and Adult Care Food Program	10.558	6,262,418
State Administrative Matching Grants for the Supplemental Nutrition Assistance Proq	10.561	9,100,827
Resident Opportunity and Supportive Services	14.870	256,444
Crime Victim Assistance	16.575	120,801
Edward Byrne Memorial Justice Assistance Grant Program	16.738	84,331
Highway Planning and Construction	20.205	3,665,967
Job Access And Reverse Commute Program	20.516	551,661
Food and Drug Administration_Research	93.103	18,318
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	199,088
Child Care and Development Block Grant	93.575	500,106
Social Services Block Grant	93.667	3,719,491
Medical Assistance Program	93.778	10,353,946
Homeland Security Grant Program	97.067	14,216,171

(4) Totals by Clusters

Federal programs with different CFDA 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, 2015

<u>Name of Cluster</u>	<u>Program Title</u>	<u>Federal Catalogue Number</u>	<u>Total by Program</u>
Child Nutrition Cluster	School Breakfast Program	10.553	\$ 5,081,579
	National School Lunch Program	10.555	27,653,587
	Summer Food Service Program for Children	10.559	842,417
Child Nutrition Cluster Total			33,577,583
SNAP Cluster	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	9,100,827
SNAP Cluster Total			9,100,827
Housing Voucher Cluster	Section 8 Housing Choice Vouchers	14.871	3,946,941
Housing Voucher Cluster Total			3,946,941
WIA Cluster	WIA Adult Program	17.258	1,194,131
	WIA Youth Activities	17.259	1,355,095
	WIA Dislocated Worker Formula Grants	17.278	1,270,808
WIA Cluster Total			3,820,034
Highway Planning and Construction Cluster	Highway Planning and Construction	20.205	3,665,967
	Recreational Trails Program	20.219	78,967
Highway Planning and Construction Cluster Total			3,744,934
Federal Transit Cluster	Federal Transit_Capital Investment Grants	20.500	1,148,208
Federal Transit Cluster Total			1,148,208
Transit Services Programs Cluster	Job Access_Reverse Commute	20.516	551,661
Transit Services Programs Cluster Total			551,661

COUNTY OF FAIRFAX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

<u>Name of Cluster</u>	<u>Program Title</u>	<u>Federal Catalogue Number</u>	<u>Total by Program</u>
Highway Safety Cluster	State and Community Highway Safety	20.600	13,988
	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	96,548
	National Priority Safety Programs	20.616	21,254
Highway Safety Cluster Total			131,790
Special Education Cluster (IDEA)	Special Education_Grants to States	84.027	34,363,637
	Special Education_Preschool Grants	84.173	710,665
Special Education Cluster (IDEA) Total			35,074,302
School Improvement Grants Cluster	School Improvement Grants	84.377	87,740
School Improvement Grants Cluster Total			87,740
Aging Cluster	Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	653,041
	Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045	944,931
	Nutrition Services Incentive Program	93.053	351,137
Aging Cluster Total			1,949,109
TANF Cluster	Temporary Assistance for Needy Families (TANF) State Programs	93.558	4,624,528
TANF Cluster Total			4,624,528
CCDF Cluster	Child Care and Development Block Grant	93.575	500,106
	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	557,244
CCDF Cluster Total			1,057,350
Medicaid Cluster	Medical Assistance Program	93.778	10,353,946
Medicaid Cluster Total			10,353,946

COUNTY OF FAIRFAX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

(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	\$ 1,797,899
Continuum of Care Program	14.267	\$ 1,558,518
Adult Education-Basic Grants to States	84.002	\$ 906,245
Community Services Block Grant	93.569	\$ 411,454
Head Start	93.600	\$ 1,441,516
Homeland Security Grant Program	97.067	\$ 48,485

COUNTY OF FAIRFAX, VIRGINIA
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2015

(1) Summary of Auditors' Results

Basic Financial Statements

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

B. Internal control over financial reporting:

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

Material weakness identified? **None**

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

Federal Awards

D. Significant deficiencies in internal control over major programs noted? **Yes, finding 2015-001, 2015-003, 2015-004, 2015-006, 2015-007, 2015-009**

E. Material weaknesses in internal control over major programs noted? **Yes, finding 2015-002, 2015-005, 2015-008**

F. Type of report issued on compliance for each major program is as follows:

Major Program	CFDA Number(s)	Type of Report Issued
Child Nutrition Cluster	10.553, 10.555, 10.559	Unmodified
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	Qualified
Supplemental Nutrition Assistance Program	10.561	Unmodified
Moving to Work Demonstration Program	14.881	Qualified
FHA-Insured Mortgage Revenue Bonds – Little River Glen	14.UNK	Unmodified
Transportation Infrastructure Finance and Innovation Act Program	20.223	Unmodified
Title I Grants to Local Educational Agencies	84.010	Unmodified
English Language Acquisition State Grants	84.365	Unmodified

COUNTY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Major Program	CFDA Number(s)	Type of Report Issued
Temporary Assistance for Needy Families	93.558	Unmodified
Foster Care – Title IV-E	93.658	Unmodified
Social Services Block Grant	93.667	Unmodified
Medical Assistance Program	93.778	Qualified
Staffing for Adequate Fire and Emergency Response	97.083	Unmodified
USAID Foreign Assistance for Programs Overseas	98.001	Unmodified

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

H. Major programs are as follows:

1. Child Nutrition Cluster (CFDA #10.553, 10.555, 10.559)
2. Special Supplemental Nutrition Program for Women, Infants and Children (CFDA #10.557)
3. Supplemental Nutrition Assistance Program (CFDA #10.561)
4. Moving to Work Demonstration Program (CFDA #14.881)
5. FHA-Insured Mortgage Revenue Bonds – Little River Glen (CFDA #14.UNK)
6. Transportation Infrastructure Finance and Innovation Act Program (CFDA #20.223)
7. Title I Grants to Local Educational Agencies (CFDA #84.010)
8. English Language Acquisition State Grants (CFDA #84.365)
9. Temporary Assistance for Needy Families (CFDA #93.558)
10. Foster Care – Title IV-E (CFDA #93.658)
11. Social Services Block Grant (CFDA #93.667)
12. Medical Assistance Program (CFDA #93.778)
13. Staffing for Adequate Fire and Emergency Response (CFDA #97.083)
14. USAID Foreign Assistance for Programs Overseas (CFDA #98.001)

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

J. Auditee qualified as low-risk auditee? **No**

(2) Findings Related 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, 2015

(3) Findings and Questioned Costs for Federal Awards

Finding 2015-001 – Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Major Program

Special Supplemental Nutrition Program for Women, Infants and Children (CFDA #10.557)

Federal Agency

U.S. Department of Agriculture

Pass-through Entity

Virginia Department of Health

Finding Related to ARRA

No

Criteria

The Special Supplemental Nutrition Program for Women, Infants and Children (WIC) as operated by Fairfax County (the County) receives a Nutrition Services and Administration (NSA) grant to cover administration expenditures incurred from operating the WIC program. Per the grant agreement, funds allocated for NSA must be used for the costs incurred by the State or local agency to provide participants with nutrition education, breastfeeding promotion and support, and referrals to other social and medical service providers; and to conduct participant certification, caseload management, food benefit delivery, vendor management, voter registration, and program management (42 USC 1786(h)(1)(C)(ii); 7 CFR sections 246.14(c) and (d)).

Office of Management and Budget (OMB) Circular No. A-102, *Grants and Cooperative Agreements with State and Local Governments*, requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Per the WIC delegation of authority, the WIC Coordinator is required to approve transactions over \$200.

Condition

The WIC program had total expenditures of approximately \$3.5 million during fiscal year 2015, which included non-payroll expenditures of \$195,512. We selected a sample of 40 non-payroll expenditures for testing that totaled \$88,391. During our testing, we noted the following:

- For 1 of 40 sample items tested, the original purchase order (PO) was approved for 100 boxes of supplies at \$140 per box for a total of \$14,000; however, the PO was subsequently changed to 100 boxes at \$146 per box for a total of \$14,600 and there was no subsequent approval. We note that the total that was paid out was \$14,600.
- For 2 of 40 sample items tested, there were no signatures on the p-card logs to indicate approval.

COUNTY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

- For 5 of 40 sample items tested, we noted that the transactions were over \$200 and were not approved by the proper authority.

Cause

WIC personnel were not following the established policies and procedures for approving non-payroll transactions and ensuring that cost were appropriate and allowable per the WIC guidelines.

Effect

Without effective internal controls in place, the County is not able to ensure that only allowable non-payroll transactions are charged to the WIC program. As such, there is an increased risk that the County will not be in compliance with the grant agreement.

Recommendation

We recommend that management reinforce the related policies and procedures for approving non-payroll transaction. In addition, management should consider developing and implementing a control to monitor WIC personnel responsible for approving non-payroll transactions to ensure they are reviewing the transactions and properly documenting their approval in a timely manner.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

Policies and procedures related to approving non-payroll transactions have been reviewed and reinforced by management. A monitoring program is in place for non-payroll transactions which includes copies of approvals being attached to purchase orders and review of p-card logs to ensure they are signed by the appropriate supervisor. This has been reinforced during staff meetings with written instructions given to staff.

COUNTY OF FAIRFAX, VIRGINIA
Schedule of Findings and Questioned Costs
Year ended June 30, 2015

Finding 2015-002 – Reporting

Major Program

Special Supplemental Nutrition Program for Women, Infants and Children (CFDA #10.557)

Federal Agency

U.S. Department of Agriculture

Pass-through Entity

Virginia Department of Health

Finding Related to ARRA

No

Criteria

The County of Fairfax (the County) Health District's grant agreements (#409WIC2014 and #409WIC2015) with the Commonwealth of Virginia Department of Health, Office of Family Health Services requires the County to report on a quarterly basis how appropriated funds for the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) were allocated among administration, client services, nutrition education, and breast feeding, which is done through the Time Motion Study Report.

Condition

In reviewing the Time Motion Study report that was generated for the second quarter of fiscal year 2015, we noted the following:

- The County only included two weeks of the time worked by employees on the program instead of including the time for the entire quarter. In addition, the County informed us that they also only included time for two weeks in the report for the first and third quarter of fiscal year 2015.
- The time and respective pay for seven employees who worked during the two weeks studied was not included in the report.

Cause

The County informed us that the process in place for completing the report was manual and required a lot of time and effort on the part of the employee responsible for generating the report and, consequently, the County only captured time for two weeks in the report. In addition, the County inadvertently excluded the time and respective pay for seven employees for the two weeks studied because of inaccurate formulas in the spreadsheet that was used to generate the report. The County also did not have an adequate review process in place to ensure the report was complete and accurate. However, we did note that the County implemented procedures to incorporate all applicable time into the fourth quarter report.

Effect

Without an effective process in place to ensure completeness and accuracy of the report, the County is not able to ensure that the Time Motion Study report is complete and accurate to comply with the terms

COUNTY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

of the grant agreement. Specifically, we noted that the allocation of time for administration, client services, nutrition education, and breast feeding, as presented in the report were inaccurate as the underlying data was missing the time for seven employees. The allocation of time also only represented two weeks rather than the entire quarter.

Recommendation

We recommend that the County:

1. Continue to create a report that incorporates the time for the entire quarter being studied, as they did in the fourth quarter of fiscal year 2015;
2. Ensures the appropriate resources needed to compile the necessary data for the entire quarter are made available so that the Time Motion Study report is complete;
3. Implement a review process of the Time Motion Study report that ensures the related data is complete, formulas used to compile the data are correct, and the allocation of time is accurate.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

All WIC funded employees are completing a daily Time and Effort report by using a real-time electronic data collection process in accordance with Virginia Department of Health (VDH) time and effort reporting policy. This daily reporting system was implemented on April 1, 2015. This system is enabling WIC supervisors the ability to monitor and generate reports using the daily data. This process also allows preparation of reports specifically related to service targets (Client services, Administration, Nutrition Education and Breastfeeding) for WIC funded staff.

The daily reporting system ensures the County is now complying with the Time Motion Study reporting requirements in the grant agreement.

COUNTY OF FAIRFAX, VIRGINIA
Schedule of Findings and Questioned Costs
Year ended June 30, 2015

Finding 2015-003 – Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Major Program

Moving to Work Demonstration Program (CFDA #14.881)

Federal Agency

U.S. Department of Housing and Urban Development

Pass-through Entity

None

Finding Related to ARRA

No

Criteria

Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment B states the following:

"(h) Support of salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation.

(1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.

(2) No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.

(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity.

COUNTY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

(5) Personnel activity reports or equivalent documentation must meet the following standards:

- (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
- (b) They must account for the total activity for which each employee is compensated,
- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- (d) They must be signed by the employee."

Condition

In fiscal year (FY) 2015, the Moving to Work Demonstration (MTW) program incurred \$5,490,456 in payroll and fringe benefits costs. During our testing of the allowable costs compliance requirement related to MTW program's payroll costs, we noted that from July 1, 2014 through the pay period ending on March 6, 2015, there was no process in place for a supervisor to review and approve total time charged to the grant for employees who were negative time reporters. For these salaried employees, review and approval of timesheets only occurred if there was an exception to their regular hours (for example, if leave was taken). Specifically, of the 40 payroll transactions selected for testing totaling \$113,170, we noted that 4 were negative time reporters and charged time to the program prior to March 7, 2015, and did not have documentation to support that their time was accurately charged to the program in accordance with OMB Circular A-87.

For the pay period beginning March 7, 2015, management implemented a process that required supervisors to review and approve all time charged to the MTW program each pay period for employees who were negative reporters. We tested seven payroll transactions for employees who were previously negative reporters and charged time to the program on or after March 7, 2015, and noted that the timesheets were properly approved by an appropriate supervisor for each transaction.

Cause

FCRHA was not able to obtain approval from their cognizant agency for the cost allocation model previously used to charge time to federal programs, nor did they have policies and procedures in place to perform a comparison of the estimated allocated costs to the actual costs incurred as required by OMB Circular A-87. However, FCRHA subsequently implemented a revised time approval process within the payroll system in fiscal year 2015 as discussed above.

Effect

Without proper controls in place over approval of timesheets, there is an increased risk that unallowable payroll costs could be incorrectly charged to the MTW program.

Recommendation

We recommend that management continue to follow the updated process that requires supervisors to review all employees' time charged to the MTW program each pay period.

Related Noncompliance

Noncompliance

COUNTY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Questioned Costs

Due to the nature of the control deficiencies identified above, questioned costs are not able to be determined.

Views of Responsible Officials

Given that no response has been received from HUD regarding the cost allocation methodology, FCRHA staff developed a process by which staff working in multiple programs coded the actual time worked in specific programs and supervisors approve each time entry. This process is formally documented in a new policy and procedure that was shared with the external auditors during the FY 2015 Single Audit. The new process, which includes annual training for all affected staff, was implemented in March 2015 and will continue to govern the time entry process for impacted employees.

COUNTY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Finding 2015-004 – Procurement and Suspension and Debarment

Major Program

Moving to Work Demonstration Program (CFDA #14.881)

Federal Agency

U.S. Department of Housing and Urban Development

Pass-through Entity

None

Finding Related to ARRA

No

Criteria

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. “Covered transactions” include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR section 180.220.

The other criteria specified in 2 CFR section 180.220 are as follows:

(a) Covered transactions under this part—

- (1) Do not include any procurement contracts awarded directly by a Federal agency; but
- (2) Do include some procurement contracts awarded by non-Federal participants in nonprocurement covered transactions.

(b) Specifically, a contract for goods or services is a covered transaction if any of the following applies:

- (1) The contract is awarded by a participant in a nonprocurement transaction that is covered under § 180.210, and the amount of the contract is expected to equal or exceed \$25,000.
- (2) The contract requires the consent of an official of a Federal agency. In that case, the contract, regardless of the amount, always is a covered transaction, and it does not matter who awarded it. For example, it could be a subcontract awarded by a contractor at a tier below a non-procurement transaction, as shown in the appendix to this part.
- (3) The contract is for Federally-required audit services.

(c) A subcontract also is a covered transaction if,—

- (1) It is awarded by a participant in a procurement transaction under a non-procurement transaction of a Federal agency that extends the coverage of paragraph (b)(1) of this section to additional tiers of contracts (see the diagram in the appendix to this part showing that optional lower tier coverage); and

COUNTY OF FAIRFAX, VIRGINIA
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(2) The value of the subcontract is expected to equal or exceed \$25,000.

Condition

In fiscal year 2015, the Fairfax County Redevelopment Housing Authority (FCRHA) incurred \$5,490,456 in non-payroll expenditures related to the Moving to Work Demonstration (MTW) program. During our testing over a sample of 25 non-payroll transactions totaling \$1,071,970, we identified the following exceptions with respect to suspension and debarment requirements for the MTW program:

- For 7 of the 25 expenditures selected for testing totaling \$46,418, there was no suspension and debarment check performed by FCRHA prior to approving the purchase order. These purchases were all made within the Public Housing Fund. We were able to independently verify that these vendors were not suspended or debarred.
- For 2 of the 25 expenditures selected for testing totaling \$60,954, we noted that the supporting documentation of the SAM check provided by management evidenced a search attempt for the vendor but not evidence as to whether or not the vendor was suspended or debarred. The SAM check documentation we reviewed indicated the vendor was unable to be found in the system. However, when we performed an independent checks of the vendor on SAM, we were able to find the vendor listed.

Cause

FCRHA procedures for suspension and debarment checks within FCRHA differed depending on whether non-payroll purchases were made within the Public Housing Fund or the Capital Fund Program. As a result, FCRHA did not consistently perform a search for the vendor on SAM prior to purchases being initiated or retain the documentation when those checks are performed because they improperly excluded Public Housing from the universe of federal grant programs subject to federal suspension and debarment requirements. As a result, there was no supporting documentation to substantiate the SAM checks for non-payroll purchases made from the Public Housing fund.

Effect

Without effective controls over the procurement of vendors, there is an increased risk that FRCHA may enter into covered transactions with vendors that are suspended or debarred.

Recommendation

We recommend that FCRHA management:

1. Revise the current policy on suspension and debarment check to require that a SAM check be performed and documented within the contract file for all Moving to Work vendors.
2. Provide training to all applicable individuals to ensure they are performing the SAM checks in a manner that will properly determine whether or not a vendor is suspended or debarred prior to purchases being initiated.

COUNTY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

The FCRHA Financial Management Division has written formal policies and procedures which will now require that all vendors who are anticipated to potentially receive payments exceeding \$25,000 (whether or not initially intended to use federal funds) be verified in the SAM system at the time of contract as well as annually. In addition, contracts awarded through the Department of Purchasing and Supply Management (DPSM) will be notified if federal dollars will be used in the procurement of those specific contracts and they will initiate a search prior to the award of the contract.

In the second condition cited, it was noted that in the case of 2 sample items, evidence indicated a search was completed, but there were no results reported in SAM for those vendors. Subsequently, a search by the audit team produced a result which determined the vendors were not debarred. As part of our staff training and enhanced procedures, we will conduct a more advanced search in SAM in the future, should results not come back using the vendor's name.

We concur that this process will be better served through additional training and documentation, and have already completed documenting the process and further training staff where needed. We will continue to work closely with DPSM and the Department of Finance (DOF) to make sure all contracts using federal dollars are properly identified and ensure we are kept abreast of any new requirements.

COUNTY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Finding 2015-005 – Special Tests and Provisions – Housing Quality Standards

Major Program

Moving to Work Demonstration Program (CFDA #14.881)

Federal Agency

U.S. Department of Housing and Urban Development

Pass-through Entity

None

Finding Related to ARRA

No

Criteria

29 CFR section 982.404(a)(3) requires that a Public Housing Authority (PHA) “must not make any housing assistance payments for a dwelling unit that fails to meet the [Housing Quality Standards (HQS)], unless the owner corrects the defect within the period specified by the PHA and the PHA verifies the correction. If a defect is life threatening, the owner must correct the defect within no more than 24 hours. For other defects, the owner must correct the defect within no more than 30 calendar days (or any PHA-approved extension.)”

According to the Fairfax County Redevelopment Housing Authority’s (FCRHA) Housing Choice Voucher Administrative Plan, 8-II.F. *Inspection Results and Reinspections for Units Under HAP Contract*: “When failures that are not life-threatening are identified, the FCRHA will send the owner and the family a written notification of the inspection results within 5 business days of the inspection. The written notice will specify who is responsible for correcting the violation, and the time frame within which the failure must be corrected. Generally not more than 30 days will be allowed for the correction.”

Condition

FCRHA had \$48,140,529 in Housing Assistance Payment (HAP) expenditures for the Moving to Work Demonstration (MTW) program during fiscal year (FY) 2015. During our testing over a sample of 40 tenants representing \$96,071 in monthly HAP payments, we identified the following exceptions:

- For 2 of the 40 MTW tenants selected for testing, we noted that a HQS inspection was not performed during FY 2015 or documentation supporting that an inspection had occurred in FY 2015 could not be provided. Based on our inspection of the tenants’ resident subsidy schedule for all months in FY 2015, we noted that FCRHA made HAPs to the landlords of these two tenants in the amount of \$2,506 prior to determining that the unit had successfully passed HQS inspections within 365 days of their last recertification.
- For 4 of the 40 MTW tenants selected for testing, we noted that a HQS inspection had failed and a follow up inspection was not performed within 30 days. Based on our inspection of the resident subsidy schedule for the months immediately following the failure, FCRHA made HAPs to the

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landlords of these four tenants in the amount of \$7,226 prior to re-inspection and determining the respective unit had passed HQS.

Cause

FCRHA's supervisors review participant's file to ensure that failed inspections were re-inspected in a timely manner and signs off on the Resident Subsidy Schedule to note their review. However, this review was not performed consistently by supervisors during fiscal year 2015. Furthermore, management did not have adequate controls in place to ensure that payments to landlords were withheld if no inspection or re-inspection took place during the fiscal year.

In addition, FCRHA informed us that an informal inspection policy was in place that allowed for the follow-up on failed inspections to be performed within 45 days, rather than the HUD-required 30 days, to allow 15 days for the notification letter to reach the landlord. However, this policy was not formally documented. We noted that 1 of the 4 units that was not re-inspected within the HUD-required timeframe was re-inspected within the FCRHA undocumented policy of 45 days. The 3 remaining units were followed up between 49 and 63 days after the initial inspection.

Effect

Inadequate policies in place to ensure that housing re-inspections are completed timely, and failure to monitor the completion of the annual housing inspections resulted in the FCRHA making payments of \$9,732 to landlords of units that were not reinspected within the required timeframe.

Recommendation

We recommend that FCRHA management:

1. Provide additional training to supervisors to ensure they are consistently performing reviews of participants' file to verify that inspections are performed in a timely manner.
2. Formally document the policy to evidence the FCRHA's extension of the 30 calendar day re-inspection for failed units to 45 days, and obtain HUD approval of such a policy; or modify the current practice to be compliant with HUD requirements.
3. Enhance department-wide policies and procedures to specifically require that payments be withheld for all landlords that have not passed an annual recertification, and implement a control that would prevent payments from being made to such landlords.

Related Noncompliance

Material noncompliance

Questioned Costs

Known: \$9,732

Views of Responsible Officials

The following represents management's response to the finding:

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1. FCRHA management staff will continue to monitor supervisory performance and review and update procedures upon identified deficiencies. Appropriate staff will receive training updated procedures for the re-inspections of units that previously failed inspections.
2. FCRHA will ensure that landlords are informed that any failed items as a result of an HQS inspection must be corrected within 30 days. However, as a point of clarification, there may be instances when the unit cannot be *re-inspected* within 30 days due to the actual time the repairs are made. For instance, if the landlord makes the repairs on the 29th or 30th day, it will not be feasible for the actual re-inspection to occur within that 30 day period. The inspector's procedure is to conduct the re-inspection as soon as reasonably possible *after* they have been informed by the landlord that the repairs have been made. It will be clarified in the policy that the corrections must be made and FCRHA notified of the repairs by the landlord within 30 days as required by HUD. However, the re-inspection will occur as soon as possible after receiving said notification from the landlord or tenant, but no later than 5 business days after the 30 day correction period. FCRHA will update internal policies and procedures to reflect this, and will request approval from HUD.
3. FCRHA will further enhance its policies and procedures to ensure all units obtain annual HQS inspections and withhold payments to landlords for failed items that are the responsibility of the landlord. These procedures will inherently be enhanced as FCRHA continues to monitor and modify the entire HQS inspection process.

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Finding 2015-006 – Special Tests and Provisions – Highly Qualified Teachers

Major Program

Title I Grants to Local Educational Agencies (CFDA #84.010)

Federal Agency

U.S. Department of Education

Pass-through Entity

Virginia Department of Education

Finding Related to ARRA

No

Criteria

Per 34 CFR 200, § 200.56, Definition of “highly qualified teacher”:

“A teacher described in § 200.55(a) and (b)(1) is a “highly qualified teacher” if the teacher meets the requirements in paragraph (a) and paragraph (b), (c), or (d) of this section.

(a) *In general.* (1) Except as provided in paragraph (a)(3) of this section, a teacher covered under § 200.55 must—

(i) Have obtained full State certification as a teacher, which may include certification obtained through alternative routes to certification; or

(ii)(A) Have passed the State teacher licensing examination; and

(B) Hold a license to teach in the State.

(2) A teacher meets the requirement in paragraph (a)(1) of this section if the teacher—

(i) Has fulfilled the State’s certification and licensure requirements applicable to the years of experience the teacher possesses; or

(ii) Is participating in an alternative route to certification program under which—

(A) The teacher—

(1) Receives high-quality professional development that is sustained, intensive, and classroom-focused in order to have a positive and lasting impact on classroom instruction, before and while teaching;

(2) Participates in a program of intensive supervision that consists of structured guidance and regular ongoing support for teachers or a teacher mentoring program;

(3) Assumes functions as a teacher only for a specified period of time not to exceed three years; and

(4) Demonstrates satisfactory progress toward full certification as prescribed by the State; and

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- (B) The State ensures, through its certification and licensure process, that the provisions in paragraph (a)(2)(ii) of this section are met.”

Per 34 CFR 200.57, Plans to increase teacher quality:

“(a) *State plan.* (1) A State that receives funds under subpart A of this part must develop, as part of its State plan under section 1111 of the ESEA, a plan to ensure that all public elementary and secondary school teachers in the State who teach core academic subjects are highly qualified not later than the end of the 2005–2006 school year.

(2) The State’s plan must—

- (i) Establish annual measurable objectives for each LEA and school that include, at a minimum, an annual increase in the percentage of—

(A) Highly qualified teachers at each LEA and school; and

(B) Teachers who are receiving highquality professional development to enable them to become highly qualified and effective classroom teachers;

(ii) Describe the strategies the State will use to—

(A) Help LEAs and schools meet the requirements in paragraph (a)(1) of this section; and

(B) Monitor the progress of LEAs and schools in meeting these requirements; and

(iii) Until the SEA fully complies with paragraph (a)(1) of this section, describe the specific steps the SEA will take to—

(A) Ensure that Title I schools provide instruction by highly qualified teachers, including steps that the SEA will take to ensure that minority children and children from low-income families are not taught at higher rates than other children by inexperienced, unqualified, or out-of-field teachers; and

(B) Evaluate and publicly report the progress of the SEA with respect to these steps.”

Condition

In fiscal year 2015, Fairfax County Public Schools’ (FCPS) hiring specialists did not consistently perform and document their review of the qualifications of teachers and paraprofessionals hired to work in Title I, Part A school-wide program schools to ensure they met the definition of a highly qualified teacher. We did not note any exceptions with respect to compliance with the highly qualified teacher requirements during our testwork over a sample of 40 teachers and paraprofessionals.

Cause

As part of FCPS’ onboarding process, hiring specialists review the qualifications of teachers and paraprofessionals hired to work in Title I, Part A funds to verify that they meet the “highly qualified” standards. FCPS implemented a new web-based on-boarding system, Kenexa, in fiscal year 2015, which replaced their paper-based system. In the paper-based system, the hiring specialist documented their review of the teachers’ and paraprofessionals’ qualifications through their sign-off on the New Hire Authorization Form. Although FCPS’ onboarding process within Kenexa in fiscal year 2015

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continued to include a verification of the new hires' qualifications by their hiring specialists, their review was not consistently documented. Per discussion with management, the process was modified in June of 2015 to require the hiring specialists to document their review.

Effect

Without effective controls over the hiring of new teachers and paraprofessionals, there is an increased risk of FCPS hiring teachers and paraprofessionals who are not highly qualified to work in Title I, Part A schoolwide program schools.

Recommendation

We recommend that FCPS continue to follow the process implemented in June 2015 that requires the hiring specialist to document their review of the qualifications of teachers and paraprofessionals.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

To fully comply with the provisions of the Elementary and Secondary Education Act of 2001, Section 1119, Fairfax County Public Schools (FCPS) submits the following evidence.

A. Process for ensuring all core content teachers in Title I school wide schools are highly qualified-

FCPS diligently works to maintain a rigorous process for ensuring a highly qualified teaching workforce. The Department of Human Resources maintains a trained licensure team led by a certification specialist and three business operations assistants who assist approximately 2,800 teachers in Title I schoolwide schools. The team works to maintain compliance with VDOE and Title I, Part A requirements pertaining to highly qualified teachers by:

- Confirming during the recruitment and hiring processes possession of or eligibility to obtain a Virginia teaching license;
- Requiring a valid Virginia license by April 1 of each school year and automatically initiating a contract non-renewal or employment dismissal process if this deadline is not met
- Using a database application to track all teacher licensure to ensure no teacher is overlooked in highly qualified monitoring;
- Assisting teachers in the submittal of licensure and "add endorsement" applications;
- Verifying college course content to reduce risk that the content will not meet VDOE standards;
- Monitoring and reminding teachers of deadlines via email and with official letters from the assistant superintendent of the Department of Human Resources;
- Providing administrators with licensure status reports for the teachers assigned to their buildings; and
- Providing reports and information to teachers and administrators identifying situations where teachers are not "teaching in field" based on their position and/or teaching activity assignment.

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Further, the Instructional Services Department maintains a team devoted to Title I, Part A grant management and programmatic support led by a coordinator and manager, a grant specialist, and an administrative assistant who assist administrators in thirty-nine (39) Title I schoolwide schools. This team works with the school administrators to maintain compliance with all VDOE and Title I, Part A requirements pertaining to highly qualified teachers by:

- Collecting annually from each principal a written attestation of compliance with highly qualified provisions;
- Reviewing and providing feedback annually on administrators' descriptions within their schoolwide program components (Section 1114 (b)(1)) of their efforts to ensure instruction by and retention of highly qualified staff (C) and of their efforts to attract highly qualified candidates (E);
- Providing administrators with a model letter and translations of the "A Parent's Right to Know" parental notification required under Section 1111 (h) and collecting documentation of annual distribution of this notification; and
- Coordinating with the Department of Human Resources substitute employment team to ensure administrators are aware of the highly qualified status of long-term substitute candidates and that a "not-highly qualified" parental notification is sent to impacted parents in any case when a substitute teacher is assigned for four or more consecutive weeks to a position for which he/she is not highly qualified, as required under Section 1111 (h).

B. Process for ensuring all paraprofessionals in Title I schoolwide schools are highly qualified-

FCPS diligently works to maintain a rigorous process for ensuring a highly qualified paraprofessional workforce. The Department of Human Resources maintains a trained instructional employment team led by a coordinator, four elementary employment specialists, and four business operations assistants who assist approximately 650 paraprofessionals. The team works to maintain compliance with VDOE and Title I, Part A requirements pertaining to highly qualified paraprofessionals by:

- Confirming during the hiring process that highly qualified paraprofessional criteria have been met according to Section 1119(c);
- Monitoring placement of paraprofessionals whose positions in non-Title I schools are eliminated as a result of budget or staffing reductions to ensure that only any such paraprofessionals who meet highly qualified criteria are placed into a Title I schoolwide school.

In November 2012, the VDOE Title I coordinator contacted FCPS Instructional Services Title I staff expressing concern about less than full compliance with highly qualified paraprofessional requirements in Title I schoolwide schools and requesting a plan be developed to address this concern. In January 2013, the VDOE Title I coordinator approved a two-year FCPS plan designed to reach 100% highly qualified paraprofessional status for Title I schoolwide schools by spring 2015. Through implementation of this plan over the past two years, FCPS has taken all necessary actions to verify 100% highly qualified paraprofessional status as of June 19, 2015. In successfully implementing this two-year plan, Instructional Services Department Title I staff collaborated with employment and licensure staff from the Department of Human Resources as well as special

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education instruction staff from the Department of Special Services to carry out the following corrective measures and supports:

- Providing timely communication in spring 2013 to paraprofessionals whose records did not show highly qualified status informing them of highly qualified requirements and notifying them that if they did not demonstrate highly qualified status by April 2015 they would be removed from assignment within a Title I schoolwide school;
- Providing information sessions and individual consultations for paraprofessionals on routes to become highly qualified;
- Offering courses, tutoring, and resources to prepare paraprofessionals for success with the Educational Testing Service (ETS) *ParaPro* assessment, providing assessment fee reimbursement for those with passing scores, and scheduling online *ParaPro* test administration sessions at times and locations convenient to the paraprofessionals;
- Organizing a Northern Virginia Community College associate degree cohort for paraprofessionals wishing to meet highly qualified requirements through a degree option;
- Designing a local highly qualified assessment plan approved by the School Board and authorized by VDOE in February 2015 to offer more robust accommodations for paraprofessionals when the *ParaPro* assessment shifted to an on line only option and providing a professional development course and tutoring opportunities to paraprofessionals who needed to meet highly qualified criteria;
- Coordinating and communicating with principals, division leadership, and paraprofessionals in schools seeking to begin Title I schoolwide models to ensure the highly qualified requirement could be fully met before the school entered schoolwide status as of July 2015;
- Maintaining regular communication among principals, Department of Human Resources staff, and Instructional Services Department Title I staff to maintain current and accurate records of paraprofessionals' highly qualified status; and
- Monitoring and reminding paraprofessionals and principals of deadlines.

Due to the implementation of a new web-based on boarding system in fiscal year 2015, documentation of the hiring specialist review of highly qualified teachers and paraprofessionals was not available. In June 2015, FCPS implemented a process to document the hiring specialist review of the qualified teachers and paraprofessionals.

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Finding 2015-007 – Eligibility

Major Program

Temporary Assistance for Needy Families (CFDA #93.558)

Federal Agency

U.S. Department of Health and Human Services

Pass-through Entity

Virginia Department of Social Services

Finding Related to ARRA

No

Criteria

According to the *TANF Manual, Section 401.3, RENEWAL OF ELIGIBILITY*, “Eligibility for TANF recipients must be redetermined on all eligibility factors subject to change at least every 12 months, unless a shorter renewal period is required by SNAP.”

According to the *TANF Manual, Section 901.2, EXEMPTION CRITERIA, page 2, paragraph D*, “an applicant/recipient of TANF or TANF-UP must participate in the VIEW Program unless the individual meets the following exemption criteria:

“Individuals unable to participate because of a temporary medical condition that prevents entry into at least 20 hours per week of employment and training activities, as determined by a medical professional. For these individuals, use Exemption Code V5 – Exempt, Temporary Medical Condition, on the ESP/VIEW/FSET (AEGNFS) screen. (Note: Pregnancy does not exempt an individual from participation. However, complications of pregnancy, as diagnosed by a medical professional, may result in a medical exemption).

According to the *TANF Manual, Section 201.1, Immunizations, page 3, “TANF GRANT REDUCTION – The worker must reduce the TANF grant for failure to comply with the immunization requirement. However, the worker must first identify and remove any barriers to accessing immunizations over which the agency has control before imposing a penalty.*

Failure to comply with the immunization requirement shall result in a reduction of the monthly TANF amount by:

- a. Fifty dollars for one child who fails to meet the immunization requirement; and
- b. Twenty-five dollars for each additional child who fails to meet with immunization requirement.
- c. The worker must impose this reduction until the caretaker/-relative provides verification to the local department of social services that the child is in compliance with the immunization requirement. Upon receipt of verification that a child has received all required verifications, the worker must take action to end the grant reduction by the month following the month in which the verification was received, if administratively possible.”

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Condition

During our testing over compliance with the applicable eligibility requirements for fiscal year 2015, we noted that the County of Fairfax (the County) was not in full compliance with the requirements of the TANF program. Specifically, we noted the following:

- For 2 of the 65 beneficiaries selected for testing, we noted that the beneficiaries' eligibility was not redetermined within 12 months of the last redetermination. Specifically, both redeterminations were completed 2 months late.
- For 1 of the 65 beneficiaries selected for testing, the TANF beneficiary was not enrolled in the Virginia Initiative for Employment not Welfare (VIEW) program as required. However, the beneficiary continued to receive benefits totaling \$902 during the period March 2015 through April 2015 even though the beneficiary was ineligible.
- For 1 of the 65 beneficiaries selected for testing, management was unable to provide documentation to support that a child included within the assistance unit for which benefits were requested received the immunizations required by the Code of Virginia. As a result, we concluded that the beneficiary was ineligible to receive full benefits during fiscal year 2015. However, we noted that the County made full monthly payments to the beneficiary for 8 months instead of reducing the benefits by the required \$50.

Additionally, we obtained a detailed listing of all cases with overdue redeterminations as of June 30, 2015. We noted there were a total of 63 cases with overdue redeterminations that on average, were 12 days past due. This represented approximately 6 percent of total cases.

Cause

We noted that program management did not adhere to their policies and procedures for completing redeterminations in a timely manner. Further, DFS management did not maintain adequate supporting documentation as there was a lack of resources to re-review the determinations and ensure that the case files were complete before continuing benefit payments.

Effect

Without adequate processes and internal controls in place to ensure compliance with the eligibility requirements, there is an increased risk that ineligible individuals will receive TANF funds or benefits erroneously. Furthermore, the County was not in compliance with the eligibility requirements for the TANF program during fiscal year 2015.

Recommendation

We recommend that the County evaluate DFS' current staffing and ensure that adequate resources are available to complete required redeterminations in a timely manner. In addition, the County should provide training and guidance to DFS staff to reinforce the importance of maintaining documentation needed to support redeterminations.

Related Noncompliance

Noncompliance

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Questioned Costs

None, because the benefits are paid by the Commonwealth of Virginia.

Views of Responsible Officials

Management recognizes the importance of completing renewals timely and the importance of proper documentation in our case files. In 2015, we designated one manager, an additional supervisor and six additional caseworkers to manage the work associated with the work of the TANF caseload. This will result in improvements in the area of both quality and timeliness. In addition, a Quality Assurance Team was formed to review the current processes and implement improvements to those processes within the TANF units.

The four adverse conditions - increase in applications, inadequate IT support, defective technology and inadequate training, that impacted us in 2014 still exist in 2015. However, as the IT systems evolve, staff is becoming increasingly proficient in its use. We have also received additional caseworker positions from the County, which we are using to assist with the continuous increase in workload. Our focus is now on completing both the new applications and the renewals in a timely manner. At the same time, understanding that as the workload continues to increase, our staffing levels may still not be adequate to complete all work in a timely and correct manner. As soon as we are able to fill and train the additional positions granted to us in FY2016, the Department will assign these to the various units to narrow the staff deficit gap that exists today and to continue to make sustained gains in performance. With over 95 TANF renewals to be completed each month, along with the other work associated with ongoing case management, it would not be possible for two supervisors to "re-review the determinations and ensure that the case files were complete before continuing benefit payments" as suggested in the Causal factors. It should be noted that TANF cases are also usually accompanied by a companion Medicaid and SNAP case. All these programs require oversight by the supervisor. In addition to hiring and training new positions granted in FY2016, we are looking at options for more positions in FY2017 to address the staff deficit gap as caseloads continue to increase.

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Finding 2015-008 – Eligibility

Major Program

Medical Assistance Program (CFDA #93.778)

Federal Agency

U.S. Department of Health and Human Services

Pass-through Entity

Virginia Department of Social Services

Finding Related to ARRA

No

Criteria

According to 42 CFR § 435.916, *Periodic Renewal of Medicaid eligibility, paragraph (b)*:

“Redetermination of individuals whose Medicaid eligibility is determined on a basis other than modified adjusted gross income. The agency must redetermine the eligibility of Medicaid beneficiaries excepted from modified adjusted gross income under § 435.603(j) of this part, for circumstances that may change, at least every 12 months. The agency must make a redetermination of eligibility in accordance with the provisions of paragraph (a)(2) of this section, if sufficient information is available to do so. The agency may adopt the procedures described at § 435.916(a) (3) for individuals whose eligibility cannot be renewed in accordance with paragraph (a)(2) of this section.

- a. The agency may consider blindness as continuing until the reviewing physician under §435.531 of this part determines that a beneficiary’s vision has improved beyond the definition of blindness contained in the plan; and
- b. The agency may consider a disability as continuing until the review team, under §435.541 of this part, determines that a beneficiary’s disability no longer meets the definition of disability contained in the plan.”

Condition

During our testing over compliance with the applicable eligibility requirements for fiscal year 2015, we noted that Fairfax County’s (the County) Medical Assistance Program was not in full compliance with the requirement that eligibility must be redetermined/renewed every 12 months. Specifically, we noted the following:

- For 7 of the 65 beneficiaries selected for testing, the redetermination of eligibility occurred more than 12 months after the last redetermination.
- For 1 of the 65 beneficiaries selected for testing, DFS was unable to provide documentation to support that the current year redetermination of eligibility occurred within 12 months of the last redetermination.

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- For 2 of the 65 beneficiaries tested, we noted that a redetermination of the beneficiary's eligibility was past due and was not completed as of June 30, 2015.

Cause

Program management informed us that the Department of Family Services (DFS) has been understaffed and unable to comply with the redetermination/renewal requirements as outlined in 42 CFR section 435.916 and the Medicaid Manual M0220 since the healthcare reform. In addition, we noted that program management did not adhere to their policies and procedures for completing redeterminations in a timely manner, as they made the decision to focus their resources and efforts on the initial intake of new beneficiaries rather than redeterminations for older cases. Further, DFS management did not maintain adequate supporting documentation as there was a lack of resources to re-review the determinations and ensure that the case file were complete before continuing benefit payments.

Effect

Without adequate processes and internal controls in place to ensure compliance with the eligibility requirements, there is an increased risk that ineligible individuals will receive Medicaid funds. Further, the County was not in compliance with eligibility requirements during fiscal year 2015.

Recommendation

We recommend that the County evaluate DFS' current staffing and ensure that adequate resources are available to complete required redeterminations in a timely manner. In addition, the County should provide training and guidance to DFS staff to reinforce the importance of maintaining documentation needed to support redeterminations.

Related Noncompliance

Material noncompliance

Questioned Costs

None, because the benefits are paid by the Commonwealth of Virginia.

Views of Responsible Officials

Management recognizes the importance of completing renewals timely and the importance of proper documentation in our case files. Although the Virginia Department of Social Services (VDSS) Medicaid Manual indicates all renewals must be completed within 12 months, we have been striving to follow the VDSS Performance Indicator for Medicaid Renewals, which is 97% for each locality, even though we have been understaffed for many years. We are making every effort to meet their standards as well as the 100% completion rate set by the federal government. The VDSS recognizes that most localities in the Commonwealth of Virginia have a backlog of overdue Medicaid redeterminations (51,000 statewide) and is providing additional funding to pay overtime costs associated with bringing this work up to date. It should be noted that in June 2014, 79% of our redeterminations were completed timely. In July 2015, 96.31% have been completed timely. In addition, a Quality Assurance Team was formed to review the current redetermination processes and implement improvements to those processes within the case management units.

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The four adverse conditions – increase in applications, inadequate IT support, defective technology and inadequate training, that impacted us in 2014 still exist in 2015. However, as the IT systems evolve, staff is becoming increasingly proficient in its use. We have now received additional caseworker positions from the County, which we are using to assist with the continuous increase in workload. Our focus is now on initial and remedial training to new/existing staff and in completing both the new applications and the renewals in a timely manner. As soon as we are able to fill and train the additional positions granted to us in FY2016, the Department will assign these to the various units to narrow the staff deficit gap that exists today and to continue to make sustained gains in performance. At the same time, understanding that as the workload continues to increase our staffing levels may not be adequate to complete all work in a timely and correct manner. With an average of 4100 Medicaid redeterminations to be completed each month, along with the other work associated with ongoing case management, it would not be possible for the fifteen supervisors assigned to this work to “re-review the determinations and ensure that the case files were complete before continuing benefit payments” as suggested in the Causal factors. It should be noted that Medicaid cases are often accompanied by a companion SNAP case. All of these programs require oversight by the supervisor. In addition to hiring and training new positions granted in FY2016, we are looking at options for more positions in FY2017 to address the staff deficit gap as caseloads continue to increase.

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Finding 2015-009 – Procurement and Suspension and Debarment

Major Program

USAID Foreign Assistance for Programs Overseas (CFDA #98.001)

Federal Agency

U.S. Agency for International Development

Pass-through Entity

None

Finding Related to ARRA

No

Criteria

The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Per 2 CFR section 180.300, when a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity and its principals, as defined in 2 CFR section 180.995 and agency adopting regulations, are not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA) (Note: EPLS is no longer a separate system; however, the OMB guidance and agency implementing regulations still refer to it as EPLS) and available at <https://www.sam.gov/portal/public/SAM/>, (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity.

Condition

During our testing over compliance with the procurement and suspension and debarment requirements, we tested a sample of 3 vendors that had expenditures totaling \$163,781 in fiscal year 2015. Total procurement expenditures for the program in fiscal year 2015 were \$813,559. For two of the three vendors tested, management was unable to provide support that they verified the vendor was not suspended or debarred prior to entering into the covered transaction. Total expenditures for the two sample items totaled \$30,912.

Cause

Fairfax County Fire and Rescue Department (FRD) did not maintain adequate documentation to support adherence with existing internal controls in place over the suspension and debarment requirements. In addition, FRD did not have an internal control in place to ensure that vendor verifications were properly completed and documented.

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Effect

Without adequate controls over the suspension and debarment compliance requirements, there is an increased risk that FRD may enter into covered transactions with vendors that are suspended or debarred. However, we were ultimately able to verify that neither of the two aforementioned vendors were suspended or debarred.

Recommendations

We recommend that FRD management adhere to its existing control policies and procedures by verifying that vendors are not suspended or debarred prior to entering into a secured transaction, and maintaining adequate documentation to support that the verification was performed. In addition, FRD management should periodically review vendor files to ensure that vendor verifications related to suspension and debarment are properly completed and documented.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

The FRD Purchasing & Accounts Payable section acknowledges its responsibility to ensure that the policy standards set forth in Financial Policy Statement (FPS) 700- "Grants or Cooperative Agreements," are satisfactorily maintained. Given the section's inability to provide adequate support documentation for two of the three test charges evaluated during the procurement audit, the purchasing section manager will address the procedural deficiency by providing new instruction and training to all staff that are responsible for initiating any procurement document. By supplementing the administrative policy with an instructional guide to provide role clarity and increase policy awareness, the responsible parties anticipate adequate compliance henceforth.