



COUNTY OF FAIRFAX, VIRGINIA

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

June 30, 2013

(With Independent Auditors' Reports Thereon)

COUNTY OF FAIRFAX, VIRGINIA

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KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

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; 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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 22, 2013. Our report includes a reference to other auditors who audited the financial statements of the Fairfax County Redevelopment and Housing Authority, 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.



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 amount, and certain provisions of other laws and regulations specified in the Specifications, Chapters Two and Three. 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 herein under *Government Auditing Standards* or the Specifications.

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 22, 2013



KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report on Compliance for Each Major 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 Fairfax County, Virginia (the County's) 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, 2013. 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 our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

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 major federal programs for the year ended June 30, 2013.



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.

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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2013-01 and 2013-02, that we consider to be significant deficiencies.

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 Schedule 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, 2013, and have issued our report thereon dated November 22, 2013, which was modified to refer to other auditors. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the County's basic financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

Washington, DC
November 22, 2013

COUNTY OF FAIRFAX, VIRGINIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	Expenditures
Office of National Drug Control Policy		
Passed Through the University of Maryland:		
High Intensity Drug Trafficking Area (HIDTA) Project	07.999	346,173
Department of Agriculture		
Direct Awards:		
National School Lunch Program	10.555	3,745,380
Fresh Fruit and Vegetable Program	10.582	274,104
Passed Through the Commonwealth of Virginia:		
<u>Department of Education</u>		
School Breakfast Program	10.553	4,730,237
National School Lunch Program	10.555	22,655,722
<u>Department of Juvenile Justice</u>		
School Breakfast Program	10.553	34,911
National School Lunch Program	10.555	64,492
<u>Department of Health</u>		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	3,549,699
Child and Adult Care Food Program	10.558	4,482,609
Summer Food Service Program for Children	10.559	504,025
<u>Department of Agriculture and Consumer Services</u>		
Child and Adult Care Food Program	10.558	804,364
<u>Department of Social Services</u>		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	7,569,732
<u>Department of Behavioral Health and Developmental Services</u>		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	155,081
Passed Through ABT Associates:		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	7,057
Department of Commerce		
Direct Awards:		
Chesapeake Bay Studies	11.457	72,598
Department of Defense		
Direct Awards:		
Junior ROTC (Department of Navy)	12.000	565,546
Army Youth Programs in Your Neighborhood	12.003	217,100
Federal Shelter Program (Department of Army)	12.115	66,664
Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools	12.556	861,776
Passed Through the Commonwealth of Virginia:		
<u>Department of Transportation</u>		
Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation	12.607	893,105

COUNTY OF FAIRFAX, VIRGINIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	Expenditures
Department of Housing and Urban Development		
Direct Awards:		
Supportive Housing for Persons with Disabilities	14.181	254,652
Community Development Block Grants/Entitlement Grants	14.218	7,104,929
Emergency Solutions Grant Program	14.231	86,264
Supportive Housing Program	14.235	907,697
Shelter Plus Care	14.238	1,463,906
HOME Investment Partnerships Program	14.239	5,793,127
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	8,606
ARRA - Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)	14.253	254,331
Fair Housing Assistance Program-State and Local Public and Indian Housing	14.401	201,793
	14.850	2,061,603
Resident Opportunity and Supportive Services - Service Coordinators (VA019RPS050A009-12965)	14.870	155,444
Resident Opportunity and Supportive Services - Service Coordinators (VA019RFS224A010-13965)	14.870	18,506
Resident Opportunity and Supportive Services - Service Coordinators (VA019RFS075A011-14965)	14.870	49,022
Resident Opportunity and Supportive Services - Service Coordinators (VA019RPS051A012)	14.870	25,137
Section 8 Housing Choice Vouchers	14.871	49,819,891
Public Housing Capital Fund	14.872	967,751
Department of Justice		
Direct Awards:		
Joint Law Enforcement Operations (JLEO)	16.111	22,702
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	403,812
State Criminal Alien Assistance Program	16.606	891,858
Bulletproof Vest Partnership Program	16.607	35,342
Edward Byrne Memorial Justice Assistance Grant Program	16.738	157,852
Equitable Sharing Program	16.922	768,221
Passed Through the Commonwealth of Virginia:		
<u>Department of Criminal Justice Services</u>		
Prisoner Reentry Initiative Demonstration (Offender Reentry)	16.202	166,024
Juvenile Accountability Block Grants	16.523	58,192
Supervised Visitation, Safe Havens for Children	16.527	35,574
Juvenile Justice and Delinquency Prevention-Allocation to States	16.540	74,160
Crime Victim Assistance	16.575	63,030
Crime Victim Assistance/Discretionary Grants	16.582	4,924
Violence Against Women Formula Grants	16.588	52,175
Edward Byrne Memorial Justice Assistance Grant Program	16.738	34,195

COUNTY OF FAIRFAX, VIRGINIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	Expenditures
<u>Department of Social Services</u>		
Crime Victim Assistance	16.575	10,166
Passed Through the Northern Virginia Regional Gang Task Force:		
Youth Gang Prevention	16.544	55,524
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15,983
Department of Labor		
Passed Through the Commonwealth of Virginia:		
<u>Virginia Community College System</u>		
WIA Adult Program	17.258	1,489,129
WIA Youth Activities	17.259	712,784
ARRA - WIA Dislocated Workers	17.260	79,301
WIA Dislocated Worker Formula Grants	17.278	1,393,878
Passed Through SkillSource Group:		
Workforce Innovation Fund	17.283	103,706
Veterans' Employment Program	17.802	41,155
Department of Transportation		
Direct Awards:		
Federal Transit-Capital Investment Grants	20.500	731,930
Job Access-Reverse Commute	20.516	464,390
Passed Through the Commonwealth of Virginia:		
<u>Department of Transportation</u>		
Highway Planning and Construction	20.205	2,754,480
<u>Department of Motor Vehicles</u>		
State and Community Highway Safety	20.600	39,471
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	133,834
Occupant Protection Incentive Grants	20.602	5,448
Passed Through SkillSource Group:		
Job Access-Reverse Commute	20.516	5,000
Department of the Treasury		
Direct Awards:		
Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009	77,838
Equal Employment Opportunity Commission		
Direct Awards:		
Employment Discrimination-Private Bar Program	30.005	96,951
National Aeronautics and Space Administration		
Direct Awards:		
Science	43.001	33,248
National Science Foundation		
Passed through Virginia Commonwealth University:		
ARRA - Trans-NSF Recovery Act Research Support	47.082	100,000

COUNTY OF FAIRFAX, VIRGINIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	Expenditures
Environmental Protection Agency		
Direct Awards:		
National Clean Diesel Emissions Reduction Program	66.039	10,878
Department of Energy		
Direct Awards:		
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	869,580
Department of Education		
Direct Awards:		
Impact Aid	84.041	3,669,090
Fund for the Improvement of Education	84.215	760,944
Passed Through the Commonwealth of Virginia:		
<u>Department of Education</u>		
Adult Education - Basic Grants to States	84.002	1,883,274
Title I Grants to Local Educational Agencies	84.010	19,080,573
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	85,704
Special Education-Grants to States	84.027	32,971,369
Career and Technical Education - Basic Grants to States	84.048	1,642,865
Special Education-Preschool Grants	84.173	825,849
Education for Homeless Children and Youth	84.196	139,046
Twenty-First Century Community Learning Centers	84.287	222,046
Educational Technology State Grants	84.318	11,906
English Language Acquisition State Grants	84.365	4,588,787
Improving Teacher Quality State Grants	84.367	4,195,940
ARRA - School Improvement Grants, Recovery Act	84.388	682,290
<u>Department of Behavioral Health and Developmental Services</u>		
Special Education-Grants for Infants and Families	84.181	1,536,900
Department of Health and Human Services		
Direct Awards:		
PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by 2012 Prevention and Public Health Funds	93.531	554,867
Head Start	93.600	7,837,343
Passed Through the Commonwealth of Virginia:		
<u>Department for 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	30,276
Special Programs for the Aging-Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042	127,082
Special Programs for the Aging-Title III, Part D, Disease Prevention and Health Promotion Services	93.043	2,207
Special Programs for the Aging-Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	666,773
Special Programs for the Aging-Title III, Part C, Nutrition Services	93.045	514,355
Special Programs for the Aging-Title IV and Title II, Discretionary Projects	93.048	15,000

COUNTY OF FAIRFAX, VIRGINIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	Expenditures
National Family Caregiver Support, Title III, Part E	93.052	140,121
Nutrition Services Incentive Program	93.053	216,195
ARRA - Communities Putting Prevention to Work: Chronic Disease Self-Management Program	93.725	14,708
Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs - financed by 2012 Prevention and Public Health Funds (PPHF-2012)	93.734	8,412
<u>Department of Health</u>		
Public Health Emergency Preparedness	93.069	205,778
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	115,003
Immunization Cooperative Agreements	93.268	69,920
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	43,852
Maternal and Child Health Services Block Grant to the States	93.994	287,266
<u>Department of Behavioral Health and Developmental Services</u>		
Projects for Assistance in Transition from Homelessness (PATH)	93.150	147,194
Block Grants for Community Mental Health Services	93.958	1,341,596
Block Grants for Prevention and Treatment of Substance Abuse	93.959	3,237,085
<u>Department of Social Services</u>		
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	4,117
Promoting Safe and Stable Families	93.556	25,720
Temporary Assistance for Needy Families	93.558	4,567,254
Refugee and Entrant Assistance-State Administered Programs	93.566	379,297
Low-Income Home Energy Assistance	93.568	323,890
Community Services Block Grant	93.569	491,191
Child Care and Development Block Grant	93.575	408,739
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	1,588,884
Chafee Education and Training Vouchers Program (ETV)	93.599	51,686
Stephanie Tubbs Jones Child Welfare Services Program	93.645	23,333
Foster Care-Title IV-E	93.658	4,041,470
Adoption Assistance	93.659	3,237,923
Social Services Block Grant	93.667	3,178,486
Family Violence Prevention and Services/Battered Women's Shelters-Grants to States and Indian Tribes	93.671	9,263
Chafee Foster Care Independence Program	93.674	50,956
Children's Health Insurance Program	93.767	184,851
Medical Assistance Program	93.778	4,622,419
Passed Through the National Association of County and City Health Officials (NACCHO):		
Medical Reserve Corps Small Grant Program	93.008	2,191
Food and Drug Administration-Research	93.103	8,318

COUNTY OF FAIRFAX, VIRGINIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	Expenditures
Department of Homeland Security		
Direct Awards:		
National Urban Search and Rescue (US&R) Response System	97.025	2,421,642
Assistance to Firefighters Grant	97.044	142,260
Passed Through the Commonwealth of Virginia:		
<u>Department of Emergency Management</u>		
Non-Profit Security Program	97.008	65,650
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	490,198
Emergency Management Performance Grants	97.042	142,846
Interoperable Emergency Communications	97.055	30,584
State Homeland Security Program (SHSP)	97.073	174,650
Repetitive Flood Claims	97.092	23,321
Passed Through the District of Columbia:		
<u>Homeland Security & Emergency Management Agency</u>		
Homeland Security Grant Program	97.067	15,432,624
Agency for International Development		
Direct Awards:		
USAID Foreign Assistance for Programs Overseas	98.001	1,428,742
		264,189,890
		264,189,890

COUNTY OF FAIRFAX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

(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, except that of the discretely presented tax credit partnership component units of the Fairfax County Redevelopment and Housing Authority (FCRHA). The County's reporting entity is defined in Note A, Part 1 of the County's basic financial statements. The schedule has been prepared on the modified accrual basis of accounting as defined in Note A, Part 3 of the County's basic financial statements.

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

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 \$207,502 for the year ended June 30, 2013.

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 \$13,435,000 at June 30, 2013.

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 \$4,175,435 at June 30, 2013. 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 code violations, through CFDA 14.218, Community Development Block Grants/Entitlement

COUNTY OF FAIRFAX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

Grants (CDBG). The outstanding principal balance of the CDBG loans was \$7,988,561 at June 30, 2013.

In addition, the FCRHA held Federal Housing Administration (FHA) - insured mortgage revenue bonds secured by land, buildings, and equipment of \$4,295,000 at June 30, 2013.

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, 2013, Fairfax County purchased and transferred equipment or supplies valued at \$2,456,707 for the Homeland Security Grant Program (97.067) to other jurisdictions.

(3) Totals by Program

Federal programs are awarded to the County either directly by a federal agency or through a pass-through entity. Some 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:

<u>Program Title</u>	<u>Number</u>	<u>Program</u>
School Breakfast Program	10.553	\$ 4,765,148
National School Lunch Program	10.555	26,465,594
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	3,556,756
Child and Adult Care Food Program	10.558	5,286,973
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	7,724,813
Resident Opportunity and Supportive Services	14.870	248,109
Crime Victim Assistance	16.575	73,196
Edward Byrne Memorial Justice Assistance Grant Program	16.738	208,030
Job Access – Reverse Commute	20.516	469,390

COUNTY OF FAIRFAX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

(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:

<u>Name of Cluster</u>	<u>Programs Title</u>	<u>Federal Catalogue Number</u>	<u>Total by Program</u>
Child Nutrition Cluster	School Breakfast Program	10.553	\$ 4,765,148
	National School Lunch Program	10.555	26,465,594
	Summer Food Service Program for Children	10.559	504,025
Child Nutrition Cluster Total			31,734,767
SNAP Cluster	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	7,724,813
SNAP Cluster Total			7,724,813
CDBG - Entitlement Grants Cluster	Community Development Block Grant/Entitlement Grants	14.218	7,104,929
	ARRA - Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)	14.253	254,331
CDBG - Entitlement Grants Cluster Total			7,359,260
Housing Voucher Cluster	Section 8 Housing Choice Vouchers	14.871	49,819,891
Housing Voucher Cluster Total			49,819,891
CFP Cluster	Public Housing Capital Fund	14.872	967,751
CFP Cluster Total			967,751
JAG Program Cluster	Edward Byrne Memorial Justice Assistance Grant Program	16.738	208,030
JAG Program Cluster Total			208,030
WIA Cluster	WIA Adult Program	17.258	1,489,129
	WIA Youth Activities	17.259	712,784
	ARRA - WIA Dislocated Workers	17.260	79,301
	WIA Dislocated Worker Formula Grants	17.278	1,393,878
WIA Cluster Total			3,675,092
Highway Planning and Construction Cluster	Highway Planning and Construction	20.205	2,754,480
Highway Planning and Construction Cluster Total			2,754,480
Transit Services Programs Cluster	Job Access_Reverse Commute	20.516	469,390
Transit Services Programs Cluster Total			469,390

COUNTY OF FAIRFAX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

<u>Name of Cluster</u>	<u>Programs Title</u>	<u>Federal Catalogue Number</u>	<u>Total by Program</u>
Federal Transit Cluster	Federal Transit_Capital Investment Grants	20.500	731,930
Federal Transit Cluster Total			731,930
Highway Safety Cluster	State and Community Highway Safety	20.600	39,471
	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	133,834
	Occupant Protection Incentive Grants	20.602	5,448
Highway Safety Cluster Total			178,753
Title I, Part A Cluster	Title I Grants to Local Educational Agencies	84.010	19,080,573
Title I, Part A Cluster Total			19,080,573
Special Education Cluster (IDEA)	Special Education_Grants to States	84.027	32,971,369
	Special Education_Preschool Grants	84.173	825,849
Special Education Cluster (IDEA) Total			33,797,218
Impact Aid Cluster	Impact Aid	84.041	3,669,090
Impact Aid Cluster Total			3,669,090
Educational Technology State Grants Cluster	Education Technology State Grants	84.318	11,906
Educational Technology State Grants Cluster Total			11,906
School Improvement Grants Cluster	ARRA - School Improvement Grants, Recovery Act	84.388	682,290
School Improvement Grants Cluster Total			682,290
Aging Cluster	Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	666,773
	Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045	514,355
	Nutrition Services Incentive Program	93.053	216,195
Aging Cluster Total			1,397,323
TANF Cluster	Temporary Assistance for Needy Families (TANF) State Programs	93.558	4,567,254
TANF Cluster Total			4,567,254
CCDF Cluster	Child Care and Development Block Grant	93.575	408,739
	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	1,588,884
CCDF Cluster Total			1,997,623
Medicaid Cluster	Medical Assistance Program	93.778	4,622,419
Medicaid Cluster Total			4,622,419

COUNTY OF FAIRFAX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

(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	\$ 1,670,043
Shelter Plus Care	14.238	\$ 1,463,906
ARRA - Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)	14.253	\$ 227,619
Adult Education-Basic Grants to States	84.002	\$ 907,261
Community Services Block Grant	93.569	\$ 491,191
Head Start	93.600	\$ 1,590,965
Homeland Security Grant Program	97.067	\$ 44,018

COUNTY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

(1) Summary of Auditors' Results

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 reported**

Material weakness identified? **None reported**

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

D. Significant deficiencies in internal control over major programs noted? **Yes, finding 2013-01 and 2013-02**

E. Material weaknesses in internal control over major programs noted? **None reported**

F. Type of report issued on compliance for major programs: **Unmodified opinions over all major programs audited**

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

H. Major programs are as follows:

- (1) Community Development Block Grant Entitlement Grants Cluster (CFDA #14.218, 14.253 ARRA, 14.254)
- (2) Energy Efficiency and Conservation Block Grant (CFDA #81.128 ARRA)
- (3) Special Education Cluster (CFDA #84.027, 84.173)
- (4) Title II – Improving Teacher Quality (CFDA #84.367)
- (5) Temporary Assistance for Needy Families (CFDA #93.558, 93.714, 93.716)
- (6) Head Start (CFDA #93.600, 93.708)
- (7) Medicaid Cluster (CFDA #93.720, 93.775, 93.777, 93.778)
- (8) Homeland Security Grant Program (CFDA #97.067)
- (9) Housing Choice Vouchers (CFDA #14.871)
- (10) Impact Aid (CFDA #84.041)
- (11) Equitable Sharing Program (CFDA #16.922)
- (12) Adoption Assistance (CFDA #93.659)
- (13) HOME (CFDA #14.239)
- (14) WIA Cluster (CFDA #17.258, 17.259 17.260 ARRA, 17.278)
- (15) School Improvement Grant Cluster (CFDA #84.388 ARRA)
- (16) Community Services Block Grant (CFDA #93.569)

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

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

COUNTY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

(2) Findings and Questioned Costs for Federal Awards

Finding 2013-01 – Eligibility

Federal Program

Medicaid Cluster (CFDA #93.720, 93.775, 93.777, 93.778)

Federal Agency

U.S. Department of Health and Human Services (DHHS)

Pass-through Entity

Virginia Department of Social Services

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.

42 CFR Section 435.916 and Section M1520.000 of the *Virginia Medicaid Eligibility Manual* states, “A recipient's eligibility must be completely redetermined at least once every 12 months.”

Section M0110.400 of the *Virginia Medicaid Eligibility Manual* states,

The [local] agency must maintain case records that contain information necessary to support the facts essential to the determination of initial and continuing eligibility as well as any basis for discontinuing or denying assistance. The case record shall consist of a hard (i.e. paper) record, an electronic record, or a combination of the two. Records of active cases must be maintained for as long as the client receives benefits, while closed records must be maintained for a minimum of three years from the date of closure.

Condition

During testing over beneficiary eligibility for Medicaid, we selected a sample of 40 individuals who were determined to be eligible for Medicaid benefits by the Department of Family Services. Specifically we noted the following:

- For 1 out of the 40 individuals selected for testing, an annual redetermination was not performed by the Department of Family Services. Therefore, we could not determine if the individual remained eligible to receive Medicaid benefits during the period for which no determination was performed.

COUNTY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

- For 1 out of the 40 individuals selected for testing, the Department of Family Services was unable to provide documentation to support that the eligibility determination had been completed as required. Therefore, we could not determine if the individual was eligible to receive Medicaid benefits.

Cause

The Department of Family Services did not consistently adhere to the established policies and procedures requiring that annual eligibility redeterminations be performed and the supporting documentation be maintained.

Effect

Without proper controls over eligibility redeterminations, there is an increased risk that ineligible participants may receive benefits under the Medicaid grant.

Recommendation

We recommend that the Department of Family Services strengthen its' internal controls to ensure that eligibility determinations are performed as required and that policies and procedures are adhered to for the maintenance of case record documentation.

Questioned Costs

None

Related Noncompliance

Noncompliance

Views of Responsible Officials

Management concurs with the finding. 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.

From July 2012-June 2013, our monthly Performance Indicator for Medicaid Renewals as measured by VDSS averaged 95.76%. We know we did not meet the target compliance rate for Medicaid renewals set forth by VDSS, but we are making every effort to meet their standards and as well as the 100% completion rate set by the federal government.

We have assigned the role of monitoring our timeliness for Medicaid renewals to one manager. Every staff member understands the importance of performing timely renewals. We have refined our work processes to find efficiencies to assist with the increasing Medicaid caseload. However, the caseload continues to rise at a steady rate. The monthly caseload grew from 52,555 in June 2012 to 55,483 in June 2013. No additional staffing resources are available to address the growing workload.

COUNTY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Finding 2013-02 Eligibility

Federal Program

Temporary Assistance for Needy Families (CFDA #93.558, 93.714, 93.716)

Federal Agency

U.S. Department of Health and human Services (DHHS)

Pass-through Entity

Virginia Department of Social Services

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.

The TANF Manual, Section 401.3, states:

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... The month in which the renewal of eligibility is due to be completed is counted from the date of eligibility (include the month of initial eligibility in this computation) and any changes discovered during the review process should be reflected in the following month, unless such changes are prohibited by the time standards.

Condition

During testing over beneficiary eligibility for TANF, we selected a sample of 40 individuals who were determined to be eligible for TANF benefits by the Department of Family Services. Based on our testing, we identified exceptions with 2 of the 40 items tested. Specifically we noted the following:

- For 1 of the individuals selected for testing, the renewal of eligibility was not performed by the Department of Family Services within the 12 month requirement.
- For 1 of the individuals selected for testing, the DFS could not provide support verifying the eligible child was a resident of Virginia and living at home.

COUNTY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Cause

The Department of Family Services did not have adequate controls in place to ensure eligibility determinations were properly completed and that supporting documentation was maintained.

Effect

Without proper controls over eligibility redeterminations or proper completion of the eligibility process, there is an increased risk that ineligible participants may receive benefits under the TANF grant.

Recommendation

We recommend that DFS strengthen its' internal controls to ensure that eligibility determinations are properly performed, and that the underlying supporting documentation is maintained.

Questioned Costs

None

Related noncompliance

None

Views of Responsible Officials

Management concurs with the finding. We are aware that the Virginia Department of Social Services (VDSS) TANF Manual indicates all renewals must be completed within 12 months and we have been striving to follow that standard. Recognizing the importance of completing renewals timely, we have designated one manager whose primary responsibility is to monitor the timeliness for TANF renewals. Additionally, every staff member understands the importance of performing timely renewals.

We also understand the importance of proper documentation for case files. However, both of these tasks are difficult due to the continuous increase in our public assistance caseload. The monthly caseload grew from 80,741 in June 2012 to 84,674 in June 2013. No additional staffing resources are available to address the growing workload.