



**COUNTY OF FAIRFAX, VIRGINIA**

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

June 30, 2014

(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, 2014, 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 10, 2014. 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.



### **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 10, 2014



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

**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 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, 2014. The County's major federal programs are identified in the summary of auditors' 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 Opinion on Four Major Programs Identified in Table I***

As identified in Table I and described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements noted in the table below.



**Table I- Material Noncompliance Resulting In Qualified Opinion**

<b>Federal Awarding Agency</b>	<b>C DFA Number (s)</b>	<b>Major Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>
U.S. Department of Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Eligibility	2014-003
U.S. Department of Housing and Urban Development	14.881	Moving to Work	Eligibility and Special Tests	2014-004
U.S. Department of Housing and Urban Development	14.881	Moving to Work	Allowability Costs and Period of Availability	2014-005
U.S. Department of Health and Human Services	93.558	Temporary Assistance for Needy Families	Eligibility	2014-007
U.S. Department of Health and Human Services	93.778	Medicaid	Eligibility	2014-008

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

***Qualified Opinion on Major Federal Programs***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion 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 program identified in Table I for the year ended June 30, 2014.

***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, 2014.

***Other Matters***

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are identified in Table II and described in the accompanying schedule of findings and questioned costs. Our opinion on each major federal program is not modified with respect to these matters.



Table II - Other Instances of Noncompliance				
Federal Awarding Agency	C DFA Number (s)	Major Program	Compliance Requirement	Finding Number
U.S. Department of Agriculture	10.553;10.555; 10.559	Child Nutrition	Eligibility, Special Tests and Provisions- Verification of Free and Reduced Price Applications	2014-001

The County’s responses to the noncompliance 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 response.

### 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 III below, and described in the accompanying schedule of findings and questioned costs, to be material weaknesses.



Table III- Material Weakness in Internal Control Over Compliance				
Federal Awarding Agency	C DFA Number (s)	Major Program	Compliance Requirement	Finding Number
U.S. Department of Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Eligibility	2014-003
U.S. Department of Housing and Urban Development	14.881	Moving to Work	Eligibility	2014-004
U.S. Department of Housing and Urban Development	14.881	Moving to Work	Allowability	2014-005
U.S. Department of Education	84.010	Title I	Procurement, Suspension and Debarment	2014-006
U.S. Department of Health and Human Services	93.558	Temporary Assistance for Needy Families	Eligibility	2014-007
U.S. Department of Health and Human Services	93.778	Medicaid	Eligibility	2014-008

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 IV below, and described in the accompanying schedule of findings and questioned costs to be significant deficiencies.

Table IV – Significant Deficiencies in Internal Control Over Compliance				
Federal Awarding Agency	C DFA Number (s)	Major Program	Compliance Requirement	Finding Number
U.S. Department of Agriculture	10.553,10.555, 10.559	Child Nutrition	Eligibility, Special Tests and Provisions-Verification of Free and Reduced Price Applications	2014-001



**Table IV – Significant Deficiencies in Internal Control Over Compliance**

<b>Federal Awarding Agency</b>	<b>CDFA Number (s)</b>	<b>Major Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>
U.S. Department of Agriculture	10.553,10.555, 10.559	Child Nutrition	Procurement, Suspension and Debarment	2014-002

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, 2014, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements. We issued our report thereon dated November 10, 2014, which included a reference to other auditors and contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinions on the financial statements that collectively comprise the County’s basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information 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 10, 2014

**COUNTY OF FAIRFAX, VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2014**

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	2014 Expenditures
<b>Office of National Drug Control Policy</b>		
Passed Through the University of Maryland:		
High Intensity Drug Trafficking Area (HIDTA) Project	7.999	260,468
<b>Department of Agriculture</b>		
Direct Awards:		
National School Lunch Program	10.555	4,068,118
Fresh Fruit and Vegetable Program	10.582	331,900
Watershed Rehabilitation Program	10.916	1,268,320
Passed Through the Commonwealth of Virginia:		
<u>Department of Education</u>		
School Breakfast Program	10.553	4,796,407
National School Lunch Program	10.555	23,468,212
<u>Department of Juvenile Justice</u>		
School Breakfast Program	10.553	40,696
National School Lunch Program	10.555	78,031
<u>Department of Health</u>		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	3,689,980
Child and Adult Care Food Program	10.558	4,654,554
Summer Food Service Program for Children	10.559	676,278
<u>Department of Agriculture and Consumer Services</u>		
Child and Adult Care Food Program	10.558	1,182,717
<u>Department of Social Services</u>		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	8,924,205
<u>Department of Behavioral Health and Development Services</u>		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	121,409
Passed Through ABT Associates:		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	7,481
<b>Department of Commerce</b>		
Direct Awards:		
Chesapeake Bay Studies	11.457	66,387
<b>Department of Defense</b>		
Direct Awards:		
Junior ROTC (Department of Navy)	12.000	565,577
Army Youth Programs in Your Neighborhood	12.003	240,321
Federal Shelter Program (Department of Army)	12.115	43,913
Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools	12.556	823,899
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	18,198
<b>Department of Housing and Urban Development</b>		
Direct Awards:		
Supportive Housing for Persons with Disabilities	14.181	254,846
Community Development Block Grants/Entitlement Grants	14.218	4,810,979
Emergency Solutions Grant Program	14.231	68,698
Supportive Housing Program	14.235	833,936
Shelter Plus Care	14.238	1,543,672
Home Investment Partnerships Program	14.239	2,325,700
Community Development Block Grant/Brownfield Economic Development Initiative	14.246	219,840
Continuum of Care Program	14.267	15,000

**COUNTY OF FAIRFAX, VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2014**

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	2014 Expenditures
Fair Housing Assistance Program-State and Local	14.401	166,461
Resident Opportunity and Supportive Services - Service Coordinators (VA019RPS050A009-12965)	14.870	2,600
Resident Opportunity and Supportive Services - Service Coordinators (VA019RFS075A011-14965)	14.870	17,277
Resident Opportunity and Supportive Services - Service Coordinators (VA019RFS225A012)	14.870	52,200
Resident Opportunity and Supportive Services - Service Coordinators (VA019RPS051A012)	14.870	167,344
Section 8 Housing Choice Vouchers	14.871	4,391,072
Moving to Work Demonstration Program	14.881	48,593,992
<b>Department of the Interior</b>		
Passed Through the Commonwealth of Virginia:		
<u>Department of Conservation and Recreation</u>		
Outdoor Recreation_Acquisition, Development and Planning	15.916	156,453
<b>Department of Justice</b>		
Direct Awards:		
Joint Law Enforcement Operations (JLEO)	16.111	67,365
Services for Trafficking Victims	16.320	100,504
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	483,223
State Criminal Alien Assistance Program	16.606	737,644
Bulletproof Vest Partnership Program	16.607	25,682
Edward Byrne Memorial Justice Assistance Grant Program	16.738	151,974
Equitable Sharing Program	16.922	898,102
Passed Through the Commonwealth of Virginia:		
<u>Department of Criminal Justice Services</u>		
Sexual Assault Services Formula Program	16.017	2,000
Prisoner Reentry Initiative Demonstration (Offender Reentry)	16.202	111,293
Juvenile Accountability Block Grants	16.523	44,258
Supervised Visitation, Safe Havens for Children	16.527	78,992
Juvenile Justice and Delinquency Prevention-Allocation to States	16.540	37,817
Crime Victim Assistance	16.575	72,470
Violence Against Women Formula Grants	16.588	79,121
Edward Byrne Memorial Justice Assistance Grant Program	16.738	113,931
<u>Department of Social Services</u>		
Crime Victim Assistance	16.575	28,391
Passed Through Northern Virginia Regional Gang Task Force:		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	7,200
<b>Department of Labor</b>		
Passed Through the Commonwealth of Virginia:		
<u>Virginia Community College System</u>		
WIA Adult Program	17.258	1,327,357
WIA Youth Activities	17.259	894,586
WIA Dislocated Worker Formula Grants	17.278	2,007,230
Passed Through SkillSource Group:		
Employment Service/Wagner-Peysers Funded Activities	17.207	2,932
WIA Dislocated Worker Formula Grants	17.278	177,680
Workforce Innovation Fund	17.283	124,166
Veterans' Employment Program	17.802	130,622

**COUNTY OF FAIRFAX, VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2014**

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	2014 Expenditures
<b>Department of Transportation</b>		
Direct Awards:		
Federal Transit-Capital Investment Grants	20.500	464,647
Job Access And Reverse Commute Program	20.516	199,056
Passed Through the Commonwealth of Virginia:		
<u>Department of Motor Vehicles</u>		
State and Community Highway Safety	20.600	5,652
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	193,487
Occupant Protection Incentive Grants	20.602	23,049
National Priority Safety Programs	20.616	8,072
<u>Department of Transportation</u>		
Highway Planning and Construction	20.205	3,496,992
<b>Department of the Treasury</b>		
Direct Awards:		
Treasury Fund Program Activity	21.000	145,348
Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009	51,523
<b>Equal Employment Opportunity Commission</b>		
Direct Awards:		
Employment Discrimination-Private Bar Program	30.005	74,641
<b>National Aeronautics and Space Administration</b>		
Direct Awards:		
Science	43.001	15,955
<b>Department of Education</b>		
Direct Awards:		
Impact Aid	84.041	2,502,707
Fund for the Improvement of Education	84.215	839,455
Passed Through the Commonwealth of Virginia:		
<u>Department of Education</u>		
Adult Education - Basic Grants to States	84.002	1,784,585
Title I Grants to Local Educational Agencies	84.010	17,085,792
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	95,367
Special Education-Grants to States	84.027	37,027,868
Career and Technical Education -- Basic Grants to States	84.048	1,656,935
Special Education-Preschool Grants	84.173	848,715
Education for Homeless Children and Youth	84.196	136,046
Twenty-First Century Community Learning Centers	84.287	286,444
English Language Acquisition State Grants	84.365	4,724,931
Improving Teacher Quality State Grants	84.367	3,128,180
School Improvement Grants	84.377	108,049
ARRA - Schools Improvement Grants, Recovery Act	84.388	228,087
<u>Department of Behavioral Health and Developmental Services</u>		
Special Education-Grants for Infants and Families	84.181	1,341,131

**COUNTY OF FAIRFAX, VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2014**

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	2014 Expenditures
<b>Department of Health and Human Services</b>		
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	490,451
Head Start	93.600	7,855,369
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	6,590
Special Programs for the Aging-Title VII, Chapter 2-Long Term Care Ombudsman Services for Older Individuals	93.042	24,018
Special Programs for the Aging-Title III, Part D-Disease Prevention and Health Promotion Services	93.043	1,927
Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	600,380
Special Programs for the Aging-Title III, Part C-Nutrition Services	93.045	819,028
National Family Caregiver Support, Title III, Part E	93.052	141,532
Nutrition Services Incentive Program	93.053	318,370
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	57,382
<u>Department of Medical Assistance Services</u>		
Medical Assistance Program	93.778	10,000
<u>Department of Health</u>		
Public Health Emergency Preparedness	93.069	209,161
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	235,451
Immunization Cooperative Agreements	93.268	67,046
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	477,756
PPHF 2012 - Prevention and Public Health Fund (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by 2012 Prevention and Public Health Funds	93.539	4,074
Preventive Health and Health Services Block Grant	93.991	27,029
Maternal and Child Health Services Block Grant to the States	93.994	262,335
<u>Department of Behavioral Health and Developmental Services</u>		
Projects for Assistance in Transition from Homelessness (PATH)	93.150	172,010
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243	50,000
Block Grants for Community Mental Health Services	93.958	1,171,696
Block Grants for Prevention and Treatment of Substance Abuse	93.959	3,067,307
<u>Department of Social Services</u>		
Promoting Safe and Stable Families	93.556	61,687
Temporary Assistance for Needy Families	93.558	4,477,169
Refugee and Entrant Assistance-State Administered Programs	93.566	360,606
Low-Income Home Energy Assistance	93.568	307,295
Community Services Block Grant	93.569	523,707
Child Care and Development Block Grant	93.575	284,824
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	576,664
Chafee Education and Training Vouchers Program (ETV)	93.599	28,516
Stephanie Tubbs Jones Child Welfare Services Program	93.645	28,272
Foster Care-Title IV-E	93.658	3,319,694
Adoption Assistance	93.659	3,110,459
Social Services Block Grant	93.667	2,894,781
Chafee Foster Care Independence Program	93.674	61,045
Children's Health Insurance Program	93.767	286,668
Medical Assistance Program	93.778	8,107,272

**COUNTY OF FAIRFAX, VIRGINIA**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2014

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	2014 Expenditures
Passed Through National Association of County and City Health Officials (NACCHO):		
Medical Reserve Corps Small Grant Program	93.008	7,984
Food and Drug Administration-Research	93.103	23,622
National Public Health Improvement Initiative	93.292	14,805
Passed Through Child Development Resources (CDR):		
Child Care and Development Block Grant	93.575	243,891
<b>Department of Homeland Security</b>		
Direct Awards:		
National Urban Search and Rescue (US&R) Response System	97.025	1,285,807
Assistance to Firefighters Grant	97.044	44,895
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	888,779
Pass Through the Commonwealth of Virginia:		
<u>Department of Emergency Management</u>		
Non-Profit Security Program	97.008	142,610
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	27,191
Emergency Management Performance Grants	97.042	105,088
Interoperable Emergency Communications	97.055	66
Homeland Security Grant Program	97.067	29,635
State Homeland Security Program (SHSP)	97.073	41,260
Passed Through the District of Columbia:		
<u>Homeland Security &amp; Emergency Management Agency</u>		
Homeland Security Grant Program	97.067	20,434,510
<b>Agency for International Development</b>		
Direct Awards:		
USAID Foreign Assistance for Programs Overseas	98.001	2,237,460
		269,149,569
		269,149,569

## COUNTY OF FAIRFAX, VIRGINIA

### Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

#### (1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (schedule) includes all federal grant activity of the County of Fairfax, Virginia (County) and its component units. 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 No. 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 \$4,962 for the year ended June 30, 2014.

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 \$12,406,000 at June 30, 2014.

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 \$6,919,751 at June 30, 2014. 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

**COUNTY OF FAIRFAX, VIRGINIA**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

safety code violations, through CFDA 14.218, Community Development Block Grants/Entitlement Grants (CDBG). The outstanding principal balance of the CDBG loans was \$12,740,649 at June 30, 2014.

In addition, the FCRHA held Federal Housing Administration (FHA) - insured mortgage revenue bonds secured by land, buildings, and equipment of \$4,095,000 at June 30, 2014.

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, 2014, the County purchased and transferred equipment or supplies valued at \$5,358,065 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>Federal Catalogue Number</u>	<u>Total by Program</u>
School Breakfast Program	10.553	\$ 4,837,103
National School Lunch Program	10.555	27,614,361
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	3,697,461
Child and Adult Care Food Program	10.558	5,837,271
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	9,045,614
Resident Opportunity and Supportive Services	14.870	239,421
Crime Victim Assistance	16.575	100,861
Edward Byrne Memorial Justice Assistance Grant Program	16.738	273,105
WIA Dislocated Worker Formula Grants	17.278	2,184,910
Child Care and Development Block Grant	93.775	528,715
Medical Assistance Program	93.778	8,117,272
Homeland Security Grant Program	97.067	20,464,145

**COUNTY OF FAIRFAX, VIRGINIA**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

**(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, 2014

<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	\$ 4,837,103
	National School Lunch Program	10.555	27,614,361
	Summer Food Service Program for Children	10.559	676,278
<b>Child Nutrition Cluster Total</b>			<b>33,127,742</b>
SNAP Cluster	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	9,045,614
<b>SNAP Cluster Total</b>			<b>9,045,614</b>
CDBG - Entitlement Grants Cluster	Community Development Block Grant/Entitlement Grants	14.218	4,810,979
<b>CDBG - Entitlement Grants Cluster Total</b>			<b>4,810,979</b>
Housing Voucher Cluster	Section 8 Housing Choice Vouchers	14.871	4,391,072
<b>Housing Voucher Cluster Total</b>			<b>4,391,072</b>
JAG Program Cluster	Edward Byrne Memorial Justice Assistance Grant Program	16.738	273,105
<b>JAG Program Cluster Total</b>			<b>273,105</b>
WIA Cluster	WIA Adult Program	17.258	1,327,357
	WIA Youth Activities	17.259	894,586
	WIA Dislocated Worker Formula Grants	17.278	2,184,910
<b>WIA Cluster Total</b>			<b>4,406,853</b>
Highway Planning and Construction Cluster	Highway Planning and Construction	20.205	3,496,992
<b>Highway Planning and Construction Cluster Total</b>			<b>3,496,992</b>
Transit Services Programs Cluster	Job Access_Reverse Commute	20.516	199,056
<b>Transit Services Programs Cluster Total</b>			<b>199,056</b>

**COUNTY OF FAIRFAX, VIRGINIA**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

<u>Name of Cluster</u>	<u>Program Title</u>	<u>Federal Catalogue Number</u>	<u>Total by Program</u>
Federal Transit Cluster	Federal Transit_Capital Investment Grants	20.500	464,647
<b>Federal Transit Cluster Total</b>			<b>464,647</b>
Highway Safety Cluster	State and Community Highway Safety	20.600	5,652
	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	193,487
	Occupant Protection Incentive Grants	20.602	23,049
<b>Highway Safety Cluster Total</b>			<b>222,188</b>
Special Education Cluster (IDEA)	Special Education_Grants to States	84.027	37,027,868
	Special Education_Preschool Grants	84.173	848,715
<b>Special Education Cluster (IDEA) Total</b>			<b>37,876,583</b>
School Improvement Grants Cluster	School Improvement Grants	84.377	108,049
	ARRA - School Improvement Grants, Recovery Act	84.388	228,087
<b>School Improvement Grants Cluster Total</b>			<b>336,136</b>
Aging Cluster	Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	600,380
	Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045	819,028
	Nutrition Services Incentive Program	93.053	318,370
<b>Aging Cluster Total</b>			<b>1,737,778</b>
TANF Cluster	Temporary Assistance for Needy Families (TANF) State Programs	93.558	4,477,169
<b>TANF Cluster Total</b>			<b>4,477,169</b>
CCDF Cluster	Child Care and Development Block Grant	93.575	528,715
	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	576,664
<b>CCDF Cluster Total</b>			<b>1,105,379</b>
Medicaid Cluster	Medical Assistance Program	93.778	8,117,272
<b>Medicaid Cluster Total</b>			<b>8,117,272</b>

**COUNTY OF FAIRFAX, VIRGINIA**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

**(5) Subrecipients**

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

<b>Program Title</b>	<b>Federal Catalogue Number</b>	<b>Amount Provided to Subrecipients</b>
Community Development Block Grant/Entitlement Grants	14.218	\$ 1,552,394
Shelter Plus Care	14.238	\$ 1,543,672
Adult Education-Basic Grants to States	84.002	\$ 884,783
Community Services Block Grant	93.569	\$ 523,707
Head Start	93.600	\$ 1,547,998
Homeland Security Grant Program	97.067	\$ 22,005

**COUNTY OF FAIRFAX, VIRGINIA**

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

**(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, findings 2014-001 and 2014-002**

E. Material weaknesses in internal control over major programs noted? **Yes, findings 2014-003 through 2014-008**

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

<b>Major Program</b>	<b>CFDA Number(s)</b>	<b>Type of Report Issued</b>
Temporary Assistance for Needy Families	93.558	Qualified
Medicaid	93.778	Qualified
Child Nutrition Cluster	10.553, 10.555, 10.559	Unmodified
Title I Grants to Local Educational Agencies	84.010	Unmodified
Child and Adult Care Food Program	10.558	Unmodified
Block Grants for Prevention and treatment of Substance Abuse	93.959	Unmodified

**COUNTY OF FAIRFAX, VIRGINIA**

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

<b>Major Program</b>	<b>CFDA Number(s)</b>	<b>Type of Report Issued</b>
Special Supplemental Nutrition Program for Woman, Infants and Children (WIC)	10.557	Qualified
Highway Planning and Construction	20.205	Unmodified
Moving to Work Demonstration	14.881	Qualified

**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) Temporary Assistance for Needy Families (CFDA #93.558)
- (2) Medicaid (CFDA #93.778)
- (3) Child Nutrition Cluster (CFDA #10.553, 10.555, 10.559)
- (4) Title I Grants to Local Educational Agencies (CFDA #84.010)
- (5) Child and Adult Care Food Program (CFDA #10.558)
- (6) Block Grants for Prevention and Treatment of Substance Abuse (CFDA #93.959)
- (7) Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (CFDA #10.557)
- (8) Highway Planning and Construction (CFDA# 20.205)
- (9) Moving to Work Demonstration (CFDA#14.881)

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

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

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

**None**

**COUNTY OF FAIRFAX, VIRGINIA**

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

**(3) Findings and Questioned Costs for Federal Awards**

**Finding 2014-001 – Eligibility and Special Tests**

***Federal Program***

Child Nutrition (CFDA#10.553,10.555,10.559)

***Federal Agency***

U.S. Department of Agriculture

***Pass-through Entity***

Virginia Department of Education

Virginia Department of Health

***ARRA Related***

No

***Criteria***

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) 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.

According to 7 CFR Code 245.2, the applicant's "current income means income, as defined in §245.6(a), received during the month prior to application. If such income does not accurately reflect the household's annual rate of income, income shall be based on the projected annual household income. If the prior year's income provides an accurate reflection of the household's current annual income, the prior year may be used as a base for the projected annual rate of income."

According to 7 CFR Code 245.6(5)(i)(ii), "the information requested on the application with respect to the current income of the household must be limited to: (I) The income received by each member identified by the household member who received the income or an indication which household members had no income; and (II) The source of the income (such as earnings, wages, welfare, pensions, support payments, unemployment compensation, social security and other cash income). Other cash income includes cash amounts received or withdrawn from any source, including savings, investments, trust accounts, and other resources which are available to pay for a child's meals or milk.

According to 42 US Code §1758(b)(3)(D)(ii), "each school year, a local educational agency shall verify eligibility of the children in a sample of household applications approved for the school year by the local educational agency, as determined by the Secretary in accordance with this subsection."

Furthermore, per 42 US Code §1758(b)(3)(E)(ii)(iii), "If the review indicates that the initial eligibility determination is correct, the local educational agency shall verify the approved household

## COUNTY OF FAIRFAX, VIRGINIA

### Schedule of Findings and Questioned Costs

Year ended June 30, 2014

application. If the review indicates that the initial eligibility determination is incorrect, the local educational agency shall (as determined by the Secretary) — (I) correct the eligibility status of the household; (II) notify the household of the change; (III) in any case in which the review indicates that the household is not eligible for free or reduced-price meals, notify the household of the reason for the ineligibility and that the household may reapply with income documentation for free or reduced-price meals; and (IV) in any case in which the review indicates that the household is eligible for free or reduced-price meals, verify the approved household application.”

#### ***Condition***

During our eligibility and verification of free and reduced price applications compliance requirements, we tested a sample of 40 participants. For 1 of 40 sample items tested, we noted that the family’s household income documentation provided during the verification process supported a monthly income of \$11,916. Based on USDA income eligibility guidelines, this income level should have placed the child in a paid lunch status; however, the child received free meals during the 2013-2014 school year.

#### ***Cause***

Based on information provided by the child’s family during the application process, the household income frequency was recorded as ‘annual’ within the School Meals Accountability Resource Tracking Technology (WebSMARTT) system, the information system used to maintain the information for free and reduced price meal applicants. Subsequently, paystubs submitted during the verification process indicated that this amount was the family’s monthly income. The child’s eligibility status was not appropriately changed to ‘paid’ from ‘free’ in WebSMARTT as a result of the verification process.

#### ***Effect***

Fairfax County Public Schools (FCPS) was not in compliance with the eligibility and verification of free and reduced price applications requirements of the Child Nutrition Cluster.

#### ***Recommendation***

We recommend FCPS adhere to existing control policies and procedures to ensure free and reduced lunch price status is timely and appropriately adjusted as a result of issues identified during the verification process.

#### ***Questioned Costs***

Known: \$466 (\$2.59 per lunch price \* 180 school days)

Likely: \$1,321,200 (\$466 known questioned costs on a sample of \$11,650 population tested \* \$33,029,988 in total federally reimbursed meals)

**COUNTY OF FAIRFAX, VIRGINIA**

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

***Related Noncompliance***

Noncompliance

***Views of Responsible Officials***

Corrective action has been completed by Food and Nutrition Services in reference to the above finding according to directives received by the State Child Nutrition Office. The eligibility status for this family has been updated in the WebSMART system. An additional review level is in place to ensure the system entry is validated for accuracy after the eligibility entry occurs and to preclude any reoccurrence of this type of finding in the future. During the 2013-2014 school year, over 500 applications were reviewed during the verification process per the USDA guidelines with no findings. Food and Nutrition Services, Fairfax County Public Schools, agrees to continue to adhere to existing control policies and procedures to ensure the verification process is validated.

**COUNTY OF FAIRFAX, VIRGINIA**

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

**Finding 2014-002 – Procurement, Suspension and Debarment**

***Federal Program***

Child Nutrition (CFDA#10.553,10.555,10.559)

***Federal Agency***

U.S. Department of Agriculture

***Pass-through Entity***

Virginia Department of Education

Virginia Department of Health

***ARRA Related***

No

***Criteria***

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require 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.

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 is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

***Condition***

During our procurement and suspension and debarment compliance requirement testwork for the Child Nutrition Cluster, we tested a sample of 5 vendors that had total expenditures of \$2,333,654 in fiscal year 2014. Total procurement expenditures for the program in fiscal year 2014 were \$33,686,725. For 2 of 5 sample items tested, we noted FCPS was not able to provide evidence to demonstrate that they verified the vendor was not suspended or debarred prior to entering into covered transactions with the vendor. The total expenditures for the two sample items was \$224,266.

***Cause***

FCPS did not adhere to existing controls in place over the procurement and suspension and debarment requirements.

## COUNTY OF FAIRFAX, VIRGINIA

### Schedule of Findings and Questioned Costs

Year ended June 30, 2014

#### *Effect*

We did not identify any suspended or debarred vendors receiving Federal funds during our testing, however, without adequate internal controls over the suspension and debarment requirements, there is an increased risk that FCPS may enter into covered transactions with vendors that are suspended or debarred.

#### *Recommendation*

We recommend that FCPS adhere to existing control policies and procedures by verifying that vendors are not suspended or debarred prior to entering into covered transactions, and adding documentation to the contract file to evidence that the verification was performed.

#### *Questioned Costs*

None

#### *Related Noncompliance*

None

#### *Views of Responsible Official*

Since 2012, the following procedures have been implemented and documented on all contracts with the Office of Procurement Services (OPS) staff:

1. All solicitations and contracts will contain a certification form signed by the bidder or contractor, certifying that neither the bidder/contractor nor its principals are debarred or suspended by the federal government.
2. When awarding new contracts or amending current contracts, OPS staff will search the federal government database of vendors ([www.SAM.gov](http://www.SAM.gov)) and determine whether the vendor is eligible or excluded (debarred/suspended) from conducting business with the federal government. OPS staff will print the page showing the eligibility and maintain with the contract file.

(Note: This process is part of the Contract Award Checklist used by staff prior to contract award. If staff discovers that a contract vendor is excluded from federal government contracts, the OPS supervisor will be notified and a decision on the vendor's future status as a contractor will be decided by the OPS director and coordinator).

3. In fiscal year 2015, OPS staff will conduct an internal review of each contract file to ensure all pertinent and required documentation is present. This review will include verification that the debarment check was conducted at the time of the contract award. If no debarment check is evidenced in the contract file, a check will be completed and documented at the time of review.

**COUNTY OF FAIRFAX, VIRGINIA**

Schedule of Findings and Questioned Costs

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Additionally, where federal grant funds are used for transactions (purchase orders) of \$25,000 or greater:

1. Departments receiving grants will notify OPS of intention to use federal grant funds in monthly grant meetings.
2. Prior to purchase order approval in FOCUS, OPS will now require an internal note indicating use of federal funds for that transaction.
3. The internal note will trigger OPS to conduct the debarment check prior to approving the purchase order (a copy of the printed page will be attached to the purchase order).

**COUNTY OF FAIRFAX, VIRGINIA**

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

**Finding 2014-003 – Eligibility**

***Federal Program***

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

***Federal Agency***

U.S. Department of Agriculture

***Pass-through Entity***

Virginia Department of Health

***ARRA Related***

No

***Criteria***

According to 7 CFR 246.6(b)9, “the agreement between the State agency and each local agency shall ensure that the local agency: maintains on file and has available for review, audit, and evaluation all criteria used for certification, including information on the area served, income standards used, and specific criteria used to determine nutritional risk.”

Per 7 CFR 246.25, (a) Recordkeeping states “that each State and local agency shall maintain full and complete records concerning Program operations. Such records shall comply with 7 CFR part 3016 and the following requirements: (1) Records shall include but not be limited to information pertaining to financial operations, food delivery systems food instrument issuance and redemption, equipment purchases and inventory, certification, nutrition education, including breastfeeding promotion and support, civil rights and fair hearing procedures.”

In addition, 7 CFR 246.7 (g) states that “all certification data for each person certified shall be recorded on a form (or forms) which are provided by the State agency.”

***Condition***

During our testwork over eligibility for the WIC program, we noted the following:

- For 2 of 25 participants selected for testing, the WIC-310 form was not signed by a WIC employee.
- For 1 of 25 participants selected for testing, the WIC-310 form was not signed by the participant to indicate his/her acknowledgement of the statement of rights and obligations.
- For 2 of 25 participants selected for testing, the necessary documentation of residency and identity as well as income eligibility was not maintained in the participant file.

**COUNTY OF FAIRFAX, VIRGINIA**

Schedule of Findings and Questioned Costs

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***Cause***

Program management did not adhere to their internal controls which required adequate review of eligibility files and that all required documentation be maintained for each participant.

***Effect***

Without proper controls in place to review eligibility files and maintain appropriate documentation, there is an increased risk that ineligible participants may receive benefits under the WIC program. In addition, the County's WIC program was not in compliance with the eligibility requirements.

***Recommendation***

We recommend that program management strengthen their internal controls to ensure that appropriate WIC personnel are properly reviewing files and obtaining and maintaining all necessary documentation to properly assess eligibility determinations

***Questioned Costs***

None

***Related Noncompliance***

Material Noncompliance

***Views of Responsible Official***

Management concurs with the finding. We recognize the importance of maintaining adequate documentation and reviewing files to properly assess eligibility. Staff will be retrained to ensure they are following the requirements.

**COUNTY OF FAIRFAX, VIRGINIA**

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Year ended June 30, 2014

**Finding 2014-004 – Eligibility and Special Tests and Provisions**

***Federal Program***

Moving to Work (CFDA#14.881)

***Federal Agency***

U.S. Department of Housing and Urban Development

***Pass-through Entity***

None

***ARRA Related***

No

***Criteria***

HUD Handbook 4350.3: *Occupancy Requirements of Subsidized Multifamily Housing Programs*, Chapter 9, Section 3, November 2013, requires that:

For all new admissions, including Initial Certifications (IC), the owner must:

- a. Review the Income Report within 90 days after transmission of the move-in certification to TRACS to confirm/validate the income reported by the household.
- b. Resolve any income discrepancies with the household within 30 days of the Income Report date.
- c. Print and retain the Income Report in the tenant file along with any documentation received to resolve income discrepancies, if applicable.

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 FCRHA’s 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,

## COUNTY OF FAIRFAX, VIRGINIA

### Schedule of Findings and Questioned Costs

Year ended June 30, 2014

and the time frame within which the failure must be corrected. Generally not more than 30 days will be allowed for the correction.

According to 24 CFR 982.507(a)(2):

Public housing authorities (PHAs) are required to reperform rent reasonableness tests when any of the following occur:

- (a) Before any increase in the rent to owner;
- (b) If there is a 5% decrease in the published fair market rent (FMR) in effect 60 days before the contract anniversary (for the unit size rented by the family) as compared with the FMR in effect 1 year before the contract anniversary; or
- (c) If directed by HUD.

In addition, per 24 CFR 982.158(f):

The PHA must keep reasonable rent records for at least three years.

#### ***Condition***

During our testwork over compliance with eligibility and special tests and provisions requirements for the Moving to Work program, we identified the following exception:

- Of the 20 tenants selected from the Public and Indian Housing (PH) program for testwork, we noted that for 5 tenants the files did not include an Enterprise Income Verification (EIV) Income Report within 90 days after move-in.
- For 2 of the 40 Housing Choice Voucher tenants selected for testing, we noted that a Housing Quality Standards (HQS) inspection failed and a follow-up inspection was not performed within 30 days. We were provided with FCRHA's policies and procedures indicating that it may grant an extension to a non-life-threatening condition, if deemed appropriate. However, we were unable to obtain supporting documentation that FCRHA granted an extension for the particular units that failed. Based on our inspection of the resident subsidy schedule for the months immediately following the failed inspection, we noted that FCRHA made housing assistance payments for the dwellings prior to re-inspecting the units and determining whether they passed HQS.
- For 2 of the 40 Housing Choice Voucher tenants selected for testing, we were unable to obtain a rent reasonableness report. As such, we could not determine whether rent reasonableness determinations were performed for these tenants.

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#### *Cause*

Program management did not maintain adequate supporting documentation to support that the EIV Income Report was performed within 90 days of move in or that the rent reasonableness determinations were made. Also, FCRHA did not have sufficient controls in place to ensure that failed HQS inspections are followed up within a timely manner and payments are properly withheld if no follow up took place.

#### *Effect*

Without adequate controls in place to ensure that documentation is properly obtained and maintained in the files, FCRHA is at risk to make administrative or subsidy payment errors or become noncompliant with HUD guidelines. In addition, a lack of monitoring of the follow ups to failed housing inspections can lead to the FCRHA being unaware that HQS deficiencies are corrected timely in accordance with HUD guidelines and inappropriate payments being made to ineligible participants.

#### *Recommendation*

We recommend FCRHA management:

- Enhance department-wide policies and procedures to specifically require the review and retention of rent reasonableness determinations and of Income Reports within 90 days after a new PH tenants move in.
- Develop and implement a process that requires management to plan and perform HQS re-inspections within 30 days after noting that an initial inspection failed.

#### *Questioned Costs*

\$1,357

#### *Related Noncompliance*

Material Noncompliance

#### *Views of Responsible Official*

Management concurs with the finding.

- 90 day EIV report- 90 day EIV reports are completed for new admissions as part of agency established procedures. While they have been consistently performed for HCV new admissions, we went through a period of high staff turnover for PH and due to new staff not gaining immediate access to EIV, several PH files have been identified as not having the 90 day EIV completed. We have since conducted training updates with appropriate staff and will enhance our written procedures to ensure complete compliance in the future.
- We can only attribute the 2 inspection findings to the volume of inspections that are completed annually and staff turnover at the supervisory level. The Branch Chief of our Inspections unit has just enhanced our current inspections policies and procedures to ensure adequate follow up and appropriate actions for failed inspections.

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- Rent Reasonableness- the policies for rent reasonableness determinations are clearly defined in the HCV Administrative Plan and are consistently followed by staff. All actions that require a rent reasonableness determination are reviewed by supervisors. I am confident that the rent reasonableness determinations for the 2 files in question were actually performed by staff because that is such a standard practice. I would suggest that the rent reasonableness documentation for these 2 files was simply misfiled.

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Schedule of Findings and Questioned Costs

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**Finding 2014-005 – Allowable Costs/Cost Principles and Period of Availability**

***Federal Program***

Moving to Work (CFDA#14.881)

***Federal Agency***

U.S. Department of Housing and Urban Development

***Pass-through Entity***

None

***ARRA Related***

No

***Criteria***

2 CFR part 215 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.

In addition, OMB Circular A-87 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,

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- (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.
- (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***

During our testing of the allowability and period of availability compliance requirement related to MTW we noted the following:

- Non-payroll expenditures for FCHRA’s MTW program totaled \$48,593,992 in FY 2014. During our allowability testing over non-payroll expenditures, we selected a sample of 40 expenditures totaling \$670,894. For 2 of the 40 items, totaling \$971.79, we noted that FCHRA did not maintain adequate documentation to evidence that the invoice was approved by the Program Manager or Property Manager.
- For payroll expenditures, we noted that there was no process in place to review and approve total time charged, and subsequently salaries charged, to the grant for individuals who were negative time reporters. Specifically, of the 40 employee time reports selected for testing, we noted that 8 were negative time reports and did not have timesheets approved or some other review to ensure time was accurately charged to the grant, an allowable cost, and within the period of availability. Review and approval of timesheets for negative time reporters only occurred if there was an exception to their bi-weekly hours (i.e. if leave is used). Further, we noted that there were no semi-annual certifications conducted for these employees.
- In addition, FCRHA did not use approved personnel activity reports to allocate payroll costs for employees charging time to multiple grants. Specifically, we noted that 32 of the 40 employees selected for testing did not have the required monthly personnel activity reports to support the distribution of their salaries to the grant. We noted that the last time these reports were updated was March 2013.

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#### *Cause*

For non-payroll expenditures, FCHRA did not follow its established control activities which required all expenditures to be reviewed by a Program or Property Manager prior to payment to ensure that costs were allowable and within the period of availability.

For payroll expenditures, FCRHA did not have adequate controls in place to ensure that payroll costs charged to the MTW program were allowable per OMB Circular A-87 and within the period of availability.

#### *Effect*

Without proper controls in place and adequate review, payroll costs could be incorrectly charged to the grant for unallowable costs and there is an increased risk of not complying with the allowability and period of availability compliance requirements for the MTW program availability.

#### *Recommendation*

We recommend that management consistently adhere to control activities in place to ensure that all MTW expenditures are properly supported and reviewed to ensure they are allowable and within the period of availability. In addition, management should also amend their current policies to ensure that the distribution of salaries and related benefits of employees assigned to work on the MTW program are properly reviewed and approved, and supported by personnel activity reports or periodic certification, as set forth in OMB Circular A-87 and within the period of availability.

#### *Questioned Costs*

Due to the nature of the control deficiencies identified above, questioned costs are indeterminable.

#### *Related Noncompliance*

Material Noncompliance

#### *Views of Responsible Official*

For non-payroll expenditures, management concurs with the finding and will implement processes to insure that payments are verified to be within the period of availability compliance requirement for the program.

For payroll expenditures, management concurs with the finding. However, as part of the FY 2013 Single Audit, the FCRHA reached out to the Department of Housing and Urban Development (HUD) (cognizant agency) to obtain written approval of our salary allocation model. HUD staff indicated that they do not perform a review of agency salary allocation models. To date, we have been unable to obtain the requested approval. We are currently working with Christine Jenkins, Director, District of Columbia HUD Field Office to obtain written confirmation of HUD's opinion as it relates to OMB A-87 and the review of cost allocation plans.

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Additionally, the agency will be implementing bi-weekly paper timesheets for all positions that support multiple programs. These forms will be signed by the employee and the appropriate supervisor and maintained in the agency's Finance Division. The agency will continue to facilitate the allocation of the actual payroll expenditure via journal entries in the County's financial system, FOCUS as the Human Capital Management module (HCM) has a five-line limitation for automated salary cost spreads. For those positions that do not allocate a portion of their time to other programs, a semi-annual certification form will be signed by the employee and appropriate supervisor and maintained in the agency's Finance Division.

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**Finding 2014-006 – Procurement, Suspension and Debarment**

***Federal Program***

Title I, Part A (CFDA#84.010)

***Federal Agency***

U.S. Department of Education

***Pass-through Entity***

Virginia Department of Education

***ARRA Related***

No

***Criteria***

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require 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.

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 is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

***Condition***

During our fiscal year 2014 testwork over the procurement and suspension and debarment compliance requirement for the Title I, Part A program, we tested a sample of 5 purchase orders for 5 vendors totaling \$100,189. Total procurement expenditures for the program in fiscal year 2014 were \$1,074,034. For 4 of 5 sample items tested, we noted FCPS was not able to provide evidence to demonstrate that they verified the vendor was not suspended or debarred prior to entering into covered transactions with the vendor. The total expenditures for the 4 sample items were \$90,469.

***Cause***

FCPS did not adhere to existing controls in place over the procurement and suspension and debarment requirements.

***Effect***

We did not identify any suspended or debarred vendors receiving Federal funds during our testing, however, without adequate internal controls over the suspension and debarment requirements, there is an increased risk that FCPS may enter into covered transactions with vendors that are suspended or debarred.

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#### ***Recommendation***

We recommend that FCPS adhere to existing control policies and procedures by verifying that vendors are not suspended or debarred prior to entering into covered transactions, and adding documentation to the contract file to evidence that the verification was performed.

#### ***Questioned Costs***

None

#### ***Related Noncompliance***

None

#### ***Views of Responsible Official***

Since 2012, the following procedures have been implemented and documented on all contracts with the Office of Procurement Services (OPS) staff:

1. All solicitations and contracts will contain a certification form signed by the bidder or contractor, certifying that neither the bidder/contractor nor its principals are debarred or suspended by the federal government.
2. When awarding new contracts or amending current contracts, OPS staff will search the federal government database of vendors ([www.SAM.gov](http://www.SAM.gov)) and determine whether the vendor is eligible or excluded (debarred/suspended) from conducting business with the federal government. OPS staff will print the page showing the eligibility and maintain with the contract file.

(Note: This process is part of the Contract Award Checklist used by staff prior to contract award. If staff discovers that a contract vendor is excluded from federal government contracts, the OPS supervisor will be notified and a decision on the vendor's future status as a contractor will be decided by the OPS director and coordinator).

3. In fiscal year 2015, OPS staff will conduct an internal review of each contract file to ensure all pertinent and required documentation is present. This review will include verification that the debarment check was conducted at the time of the contract award. If no debarment check is evidenced in the contract file, a check will be completed and documented at the time of review.

Additionally, where federal grant funds are used for transactions (purchase orders) of \$25,000 or greater:

1. Departments receiving grants will notify OPS of intention to use federal grant funds in monthly grant meetings.

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2. Prior to purchase order approval in FOCUS, OPS will now require an internal note indicating use of federal funds for that transaction.
3. The internal note will trigger OPS to conduct the debarment check prior to approving the purchase order (a copy of the printed page will be attached to the purchase order).

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**Finding 2014-007 – Eligibility**

***Federal Program***

Temporary Assistance for Needy Families (TANF) (CFDA#93.558)

***Federal Agency***

U.S. Department of Health and Human Services

***Pass-through Entity***

Virginia Department of Social Services

***ARRA Related***

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 C, “an applicant/recipient of TANF or TANF-UP must participate in the VIEW Program unless the individual meets the following exemption criteria:

1. 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).
2. A medical professional is defined as a medical doctor, including psychiatrist, or doctor of osteopathy, or a licensed physician’s assistant or nurse practitioner working under the auspices of a medical doctor or doctor of osteopathy. This definition of medical professional also applies in 901.2F below.
3. The individual must provide the local agency a completed Medical Evaluation (form 032-03-0654) completed by the medical professional that states the nature and scope of the incapacity, including abilities and limitations of the individual, and the duration of the incapacity. The duration indicated is measured from the date the form was completed and signed by the medical professional. If the medical form does not specify the duration of the medical condition, or if the form is otherwise incomplete, the eligibility worker must contact the medical professional to obtain the missing information before acting on the medical.”

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According to the *TANF Manual Section 201.1 SIXTY (60) MONTH LIMIT ON RECEIPT OF TANF*, page 3d, paragraph H, “an assistance unit may be eligible may be eligible to receive additional months of TANF assistance beyond the 60-month time limit when either:

1. The caretaker (both caretakers in a two-parent TANF household) is totally physically or mentally disabled (according to a Medical Evaluation 032-03-0654 completed by a medical professional which shows that the client is unable to work 20 hours or more per week) and is not able to be self supporting due to the disability; or
2. The caretaker is needed on a substantially continuous basis to care for a family member who is living in the household. (The family member does not have to be included on the TANF grant.) The family member must have a verified physical or mental disability and must have caretaking needs that prevent the caregiver from being self supporting. These “caretaking needs” include the need for attendance, supervision, and home care, and other needs related to the family member’s disability. A medical professional must complete a Statement of Required Presence of Caregiver form (032-03-0020) to verify the family member’s condition, and the need for the caregiver to be available on a substantially continuous basis. If the disabled family member is out of the home for substantial portions of the day, the caregiver will not be considered to be needed on a substantially continuous basis. Additionally, if the caregiver is employed outside of the home, the caregiver will not be considered to be needed to care for the disabled individual on a substantially continuous basis. In both of these situations, the TANF benefits will not be extended beyond the 60<sup>th</sup> month.”

The total disability of the caretaker or the need for the caretaker to act as a caregiver for a disabled family member living in the household must be re-evaluated based on new verification at the end of the anticipated duration as noted on the medical form or every 90 days – whichever occurs first. If the medical form is incomplete, the eligibility worker must contact the medical professional to obtain the missing information before acting on the medical.

The TANF case is to be closed as soon as administratively possible upon verifying that the caretaker is no longer totally disabled or is no longer needed to care for a disabled family member living in the household.

#### ***Condition***

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

- For 1 of the 65 samples tested, we noted the redetermination for a recipient was completed two months late.

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- For 2 of the 65 samples tested, DFS was unable to provide supporting documentation to confirm that the recipients' eligibility was redetermined within 12 months of the last redetermination as the redetermination had not yet been completed.
- For 1 of the 65 samples tested, we received documentation to support that the individual was able to participate in at least 20 hours of employment and training activities per week. As such, the individual was subject to the 60-month limitation for receiving benefits and was required to actively participate in the Virginia Initiative for Employment not Welfare (VIEW) program. However, DFS was unable to provide documentation to support that the individual's benefits had not surpassed the 60-month limit or that the individual was actively participating in the VIEW program.
- For 1 of the 65 samples tested, DFS was unable to provide documentation to support that the individual was exempt from the 60-month limitation of receiving benefits and from actively participating in the VIEW.

#### *Cause*

We noted there were no internal controls in place for management to review initial eligibility determinations or redeterminations made by the caseworkers. DFS management also informed us that they were understaffed and unable to comply with the eligibility requirements as outlined in the TANF Manual since the healthcare reform. In addition, we noted that the DFS management did not maintain adequate supporting documentation.

#### *Effect*

Without adequate controls in place to ensure compliance with the Eligibility compliance 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

#### *Recommendation*

We recommend that the TANF program strengthen their internal controls to ensure that they are adhering to their own policies and procedures and maintain sufficient supporting documentation to validate compliance with the various requirements within the TANF and SNAP Manual. In addition, we recommend that the program implement a level of management review over the eligibility determinations and redeterminations to ensure that services are only provided to eligible recipients.

#### *Questioned Costs*

*None noted*

#### *Related Noncompliance*

Material Noncompliance

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#### *Views of Responsible Official*

Management agrees with the condition but does not agree with the cause. We are aware that the Virginia Department of Social Services (VDSS) TANF Manual indicates all renewals must be completed within 12 month and we have been striving to follow that standard, even though we have never had an adequate number of staff to do the work as required.

Management does have policies and procedures in place for monitoring when TANF redeterminations are due. TANF Management Reports are provided to management and supervisors on a monthly basis indicating upcoming redeterminations as well as overdue redeterminations by month. These reports are used by managers and supervisors to prioritize and assign work to caseworkers. It is our procedure to mail out redetermination notices to clients at least 30 days prior to their redetermination date. The oldest overdue redeterminations take precedence and are completed first when working on our overdue TANF redeterminations. Recognizing the importance of completing renewals timely and the importance of proper documentation in our case files, we have also designated a specific supervisor and eight caseworkers to manage the work associated with the TANF caseload. This will result in improvements in the area of both quality and timeliness. In addition, a Quality Assurance Team is being formed to review case records to ensure proper documentation and that correct policies and procedures are being followed.

Beginning in September 2013, we experienced a marked increase in the applications for Medicaid as a result of the last phase of the implementation of the Affordable Care Act. Although Virginia did not expand its eligibility for Medicaid, the campaign to sign up for healthcare resulted in many additional applications for Medicaid. This was complicated by the release of a new automated system to manage the Medicaid applications, which had not been field tested and contained many defects, and that the staff had not been trained in its use. These four adverse conditions – increase in applications, inadequate IT support, defective technology and inadequate training – essentially paralyzed the staff's ability to process applications for practically an entire month which consequently created a huge backlog of applications that needed to be processed as quickly as possible. At the time all of this was happening, the VDSS was also putting a high level of importance on us completing these applications in a timely manner. Therefore, we had to shift staff resources from “ongoing” case management to Intake to address the number of applications that had accumulated as well as the new ones that continued to be received. As a result of having to take resources away from “ongoing” case management, many of our TANF redeterminations were not completed in a timely manner.

It should also be noted that in addition to the increase in applications as a result of the Affordable Care Act, we have been understaffed for many years. From FY 2008 to FY 2014, our caseload increased by 75% without the number of commensurate staff. This increase in workload, without adequate staff to address the needs, required management to prioritize how the work was addressed and distributed. Caseworkers were shifted from completing redeterminations to completing applications as management knew that staffing levels were not adequate to complete both redeterminations and applications in a timely manner.

County Internal Audit has also agreed to assist us in evaluating our internal processes and procedures and exploring any efficiencies that can be found in completing the work with the level of staff that we have.

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***KPMG's Response***

We have reviewed management's response and did not consider a change to our finding necessary. During our current year testing, we did not obtain evidence that there were policies and procedures in place for a separate individual to subsequently review a determination after it was initially completed by the caseworker, or to ensure that redeterminations were completed timely.

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**Finding 2014-008 – Eligibility**

***Federal Program***

Medical Assistance Program (Medicaid) (CFDA#93.778)

***Federal Agency***

U.S. Department of Health and Human Services

***Pass-through Entity***

Virginia Department of Social Services

***ARRA Related***

No

***Criteria***

According to 42 CFR § 435.916 - *Periodic Redeterminations of Medicaid Eligibility* and 42 CFR § 435.916 - *Periodic Renewal of Medicaid eligibility*,

- a. *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.
  1. 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
  2. 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.
  
- b. *Agency action on information about changes.*
  1. Consistent with the requirements of § 435.952 of this part, the agency must promptly redetermine eligibility between regular renewals of eligibility described in paragraphs (b) and (c) of this section whenever it receives information about a change in a beneficiary's circumstances that may affect eligibility.
    - i. For renewals of Medicaid beneficiaries whose financial eligibility is determined using MAGI-based income, the agency must limit any requests

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- for additional information from the individual to information relating to such change in circumstance.
- ii. If the agency has enough information available to it to renew eligibility with respect to all eligibility criteria, the agency may begin a new 12-month renewal period under paragraphs (a) or (b) of this section.
2. If the agency has information about anticipated changes in a beneficiary's circumstances that may affect his or her eligibility, it must redetermine eligibility at the appropriate time based on such changes.
- c. The agency may request from beneficiaries only the information needed to renew eligibility. Requests for non-applicant information must be conducted in accordance with § 435.907(e) of this part.
  - d. Determination of ineligibility and transmission of data pertaining to individuals no longer eligible for Medicaid.
    1. Prior to making a determination of ineligibility, the agency must consider all bases of eligibility, consistent with § 435.911 of this part.
    2. For individuals determined ineligible for Medicaid, the agency must determine potential eligibility for other insurance affordability programs and comply with the procedures set forth in § 435.1200(e) of this part.
  - e. Any renewal form or notice must be accessible to persons who are limited English proficient and persons with disabilities, consistent with § 435.905(b) of this subpart.

#### ***Condition***

During our testwork over compliance with the applicable eligibility requirements, we noted that Fairfax County's (County) Medical Assistance Program was not in full compliance with the compliance requirement which requires that eligibility must be redetermined/renewed every 12 months. Specifically, we noted the following:

- For 1 out of 65 samples tested, the previous redetermination of eligibility occurred on July 30, 2012 and the case was not reviewed again until September 23, 2013. The redetermination occurred 2 months late, therefore eligibility of the individual to continue receiving Medicaid benefits could not be determined.
- For 22 of the 65 samples tested, the support obtained verified that the last renewal/redetermination of eligibility for the case occurred in FY13. However, the County's Department of Family Services was unable to provide documentation to support that eligibility was redetermined within the past 12 months and no more than 12 months since the last determination.

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- Additionally, KPMG noted that the County's Department of Family Services had not implemented adequate internal controls to review the caseworker's eligibility determinations.

#### *Cause*

Program management informed us that the Department of Family services 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 had not developed and implemented policies and procedures for monitoring redeterminations to ensure they were performed in a timely manner or for an independent review of eligibility after it has been determined by the caseworker to ensure it was correct.

#### *Effect*

Without adequate controls to ensure compliance with the eligibility compliance 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 2014.

#### *Recommendation*

We recommend that the County develop and implement policies and procedures to ensure that initial eligibility determination and redeterminations are performed by caseworkers in a timely manner, and that determinations are reviewed by someone other than the caseworker that completed it.

#### *Questioned Costs*

*None*

#### *Noncompliance*

Material Noncompliance

#### *Views of Responsible Official*

Management agrees with the condition but does not agree with the cause. 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 several years. We are now making every effort to meet their standards as well as the 100% completion rate set by the federal government. The VDSS recognizes that multiple localities in the Commonwealth of Virginia have a backlog of overdue Medicaid redeterminations and is providing additional funding to pay overtime costs associated with bringing this work up to date.

Management does have policies and procedures in place for monitoring when redeterminations are due. Medicaid Management Reports are provided to management and supervisors on a monthly basis indicating upcoming redeterminations as well as overdue redeterminations by month. These reports are used by

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managers and supervisors to prioritize and assign work to caseworkers. It is our procedure to mail out redetermination notices to clients at least 30 days prior to their redetermination date. The oldest overdue redeterminations take precedence and are completed first when working on our backlog. In addition, to our current management procedures, a Quality Assurance Team is being formed to review case records to ensure proper documentation and that correct policies and procedures are being followed.

Of the 22 redeterminations that were sighted in the findings as overdue, 7 cases have been closed, 13 have completed redeterminations and 2 are in pending renewal status which means they are in the process of being completed.

Beginning in September 2013, we experienced a marked increase in the applications for Medicaid as a result of the last phase of the implementation of the Affordable Care Act. Although Virginia did not expand its eligibility for Medicaid, the campaign to sign up for healthcare resulted in many additional applications for the program. This was complicated by the release of a new automated system to manage the Medicaid applications and later on, the active cases as well. This IT system had not been field tested prior to its release and contained many defects that impeded the staff's ability to work with the system. Additionally, the staff had not been trained in its use. These four adverse conditions – increase in application, a new untested system, defective technology and inadequate training – essentially paralyzed the staff's ability to process applications for practically an entire month, which consequently created a huge backlog of applications that needed to be processed as quickly as possible. At the time all of this was happening, the VDSS was also putting a high level of importance on us completing these applications in a timely manner. Therefore, we had to shift some staff resources from “ongoing” case management to Intake to address the number of applications that had accumulated as well as the new ones that continued to be received. As a result of having to take resources away from “ongoing” case management, many of our Medicaid redeterminations were not completed in a timely manner.

It should also be noted that in addition to the increase in applications as a result of the Affordable Care Act, we have been understaffed for many years. From FY 2008 to FY 2014, our caseload increased by 75% without the number of commensurate staff. This increase in workload, without adequate staff to address the needs, required management to prioritize how the work was addressed and distributed. Caseworkers were shifted from completing redeterminations to completing applications as management knew that staffing levels were not adequate to complete both redeterminations and applications in a timely manner.

County Internal Audit has also agreed to assist us in evaluating our internal processes and procedures and exploring any efficiencies that can be found in completing the work with the level of staff that we have.

#### ***KPMG's Response***

We have reviewed management's response and did not consider a change to our finding necessary. During our current year testing, we did not obtain evidence that there were policies and procedures in place for a separate individual to subsequently review a determination after it was initially completed by the caseworker, or to ensure that redeterminations were completed timely.