

COUNTY OF LOUDOUN, VIRGINIA

COMPLIANCE REPORTS

For the Year Ended June 30, 2015

And Reports of Independent Auditor

COUNTY OF LOUDOUN, VIRGINIA
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COMPLIANCE REPORTS

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**Report of Independent Auditor 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***

To the Honorable Members of the Board of Supervisors
County of Loudoun, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Loudoun, Virginia (the "County"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 30, 2015. That report recognizes that the County implemented two new accounting standards effective July 1, 2014. That report included an emphasis paragraph indicating that the Component Unit School Board's net position as of June 30, 2014 has been restated.

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 a 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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Tysons Corner, Virginia
November 30, 2015

Report of Independent Auditor on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

To the Honorable Members of the Board of Supervisors
County of Loudoun, Virginia

Report on Compliance for Each Major Federal Program

We have audited the County of Loudoun, Virginia's (the "County") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2015. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

Basis for Qualified Opinion on Medicaid

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding CFDA 93.778 Medicaid as described in finding 2015-001 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on Medicaid

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 Medicaid program for the year ended June 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

County's Response to Finding

The County's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was 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 a deficiency in internal control over compliance that we consider to be a material weakness.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-001 to be a material weakness.

County's Response to Finding

The County's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated November 30, 2015. That report recognizes that the County implemented two new accounting standards effective July 1, 2014. That report also included an emphasis paragraph stating that the Component Unit School Board's net position as of June 30, 2014 has been restated. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information 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 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.

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Tysons Corner, Virginia
March 22, 2016

Report of Independent Auditor on Compliance with Commonwealth of Virginia's Laws, Regulations, Contracts, and Grants

The Honorable Members of the Board of Supervisors
County of Loudoun, Virginia

We have audited, 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 the *Specifications for Audits of Counties, Cities, and, Towns* (the "Specifications"), issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Loudoun, Virginia (the "County"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 30, 2015. That report recognizes that the County implemented two new accounting standards effective July 1, 2014. That report also included an emphasis paragraph stating that the Component Unit School Board's net position as of June 30, 2014 has been restated.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of the County's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, the objective of our audit of the basic financial statements was not to provide an opinion on overall compliance with such provisions, and accordingly, we do not express such an opinion.

The following is a summary of the Commonwealth of Virginia's laws, regulations, contracts, and grants for which we performed tests of compliance:

Code of Virginia		State Agency Requirements
Budget and Appropriation Laws	Procurement	Education
Cash and Investments	Unclaimed Property	Comprehensive Services Act Funds
Conflicts of Interest	Property Taxes	Social Services
Debt Provisions		
Intergovernmental Revenues and Agreements		

The results of our tests disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the Specifications, and which are described in the accompanying schedule of findings and questioned costs as items 2015-002 through 2015-007.

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 them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts, and grants and the results of that testing, and not to provide an opinion on the County's compliance. Accordingly, this communication is not suitable for any other purpose.



Tysons Corner, Virginia
March 22, 2016

COUNTY OF LOUDOUN, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

<u>Federal Granting Agency/Recipient State Agency/Program Title</u>	<u>Federal Catalog Number</u>	<u>Total 2015 Federal Expenditures</u>
United States Department of Agriculture		
Pass through Payments:		
Virginia Department of Agriculture		
Food Distribution - Non-cash Commodities-National School Lunch Program	10.555	\$ 995,209
Virginia Department of Education		
School Breakfast Program	10.553	1,057,064
National School Lunch Program	10.555	5,366,494
Virginia Department of Juvenile Justice		
National School Lunch Program	10.555	24,225
Virginia Department of Social Services		
State Administrative Matching Grants for Food Stamp Program	10.561	1,404,695
Total United States Department of Agriculture		8,847,687
United States Department of Housing and Urban Development		
Direct Payments:		
Community Development Block Grant/Entitlement Grants	14.218	1,566,894
Supportive Housing Program - Transitional Housing Assistance	14.235	127,229
Continuum of Care Program	14.267	21,168
Section 8 Housing Choice Vouchers	14.871	6,936,581
Mainstream Vouchers	14.879	855,150
Family Self-Sufficiency Program	14.896	33,384
Total United States Department of Housing and Urban Development		9,540,406

COUNTY OF LOUDOUN, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2015

<u>Federal Granting Agency/Recipient State Agency/Program Title</u>	<u>Federal Catalog Number</u>	<u>Total 2015 Federal Expenditures</u>
United States Department of The Interior		
Direct Payments:		
Payment in Lieu of Taxes	15.226	\$ 2,913
Total United States Department of The Interior		2,913
United States Department of Justice		
Direct Payments:		
State Criminal Alien Assistance Program	16.606	29,769
Edward Byrne Memorial JAG	16.738	30,924
Equitable Sharing Program	16.922	150,738
Pass through Payments:		
Town of Vienna, Virginia		
Equitable Sharing Program	16.922	20,934
Virginia Office of The Attorney General		
Equitable Sharing Program	16.922	181,751
Total United States Department of Justice		414,116
United States Department of Transportation		
Direct Payments:		
Transportation Infrastructure Finance and Innovation Act Program	20.223	11,207,976
Pass through Payments:		
Virginia Department of Motor Vehicles		
State and Community Highway Safety	20.600	22,834
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grant	20.601	24,911
Virginia Department of Transportation		
Highway Planning and Construction	20.205	143,198
Total United States Department of Transportation		11,398,919

COUNTY OF LOUDOUN, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2015

<u>Federal Granting Agency/Recipient State Agency/Program Title</u>	<u>Federal Catalog Number</u>	<u>Total 2015 Federal Expenditures</u>
United States Department of Environmental Protection Agency		
Direct Payments:		
Chesapeake Bay Program	66.466	\$ 21,064
Total United States Department of Environmental Protection Agency		21,064
 United States Department of Education		
Direct Payments:		
Impact Aid	84.041	189,169
Fund for Improvement of Education	84.215	57,522
Pass through Payments:		
Virginia Department of Behavioral Health and Developmental Services		
Special Education - Grants for Infants and Families with Disabilities	84.181	293,635
Virginia Department of Education		
Adult Education - State Grant Program	84.002	146,319
Title I - Grants to Local Educational Agencies	84.010	1,420,824
Special Education - Grants to State	84.027	7,869,316
Vocational Education - Basic Grants to States	84.048	486,411
Special Education - Preschool	84.173	124,062
Advanced Placement	84.333	36,223
English Language Acquisition Grant	84.365	567,363
Title II Improving Teacher Quality State Grants	84.367	451,799
Total United States Department of Education		11,642,643

COUNTY OF LOUDOUN, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2015

<u>Federal Granting Agency/Recipient State Agency/Program Title</u>	<u>Federal Catalog Number</u>	<u>Total 2015 Federal Expenditures</u>
United States Department of Health and Human Services		
Direct Payments:		
Head Start	93.600	\$ 933,182
Pass through Payments:		
County of Fairfax, Virginia		
Child Care and Development Block Grant	93.575	14,992
Chronic Disease Self-Management Education Program	93.734	8,157
National Association of County and City		
Medical Reserve Corps Small Grant Program	93.008	3,500
Virginia Department For Aging and Rehabilitative Services		
Special Programs for the Aging - Title VII Chapter 3	93.041	856
Special Programs for the Aging - Title III, Part D	93.043	8,068
Special Programs for the Aging - Title III, Parts B	93.044	90,384
Special Programs for the Aging - Title III, Part C-Nutrition Services	93.045	135,012
National Family Caregiver Support	93.052	33,907
Nutrition Services Incentive Program	93.053	86,246
Centers for Medicare and Medicaid Services Research, Demonstrations and Evaluations	93.779	34,888
Virginia Department of Behavioral Health and Developmental Services		
Projects for Assistance in Transition from Homeless (PATH)	93.150	38,872
Projects of Regional and National Significance	93.243	139,530
Block Grant for Prevention and Treatment of Substance Abuse	93.959	279,788

COUNTY OF LOUDOUN, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2015

<u>Federal Granting Agency/Recipient State Agency/Program Title</u>	<u>Federal Catalog Number</u>	<u>Total 2015 Federal Expenditures</u>
Virginia Department of Social Services		
Promoting Safe and Stable Families	93.556	\$ 88,744
Temporary Assistance for Needy Families	93.558	640,670
Refugee and Entrant Assistance State Administered Program	93.566	59,067
Low-Income Home Energy Assistance	93.568	38,808
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	86,403
Chafee Education and Training Vouchers Program	93.599	5,882
Child Welfare Services State Grants	93.645	4,269
Foster Care - Title IV-E	93.658	665,228
Adoption Assistance	93.659	321,280
Social Services Block Grant	93.667	377,320
Chafee Foster Care Independence Program	93.674	13,696
State Children's Insurance Program	93.767	45,080
Medicaid Assistance Program	93.778	1,601,276
Total United States Department of Health And Human Services		5,755,105
 United States Department of Homeland Security		
Direct Payments:		
Assistance to Firefighters Grant	97.044	44,182
Cooperating Technical Partners	97.045	92,360

COUNTY OF LOUDOUN, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2015

<u>Federal Granting Agency/Recipient State Agency/Program Title</u>	<u>Federal Catalog Number</u>	<u>Total 2015 Federal Expenditures</u>
Pass through Payments:		
County of Fairfax, Virginia		
Homeland Security Grant Program	97.067	\$ 207,161
Government of The District of Columbia		
Homeland Security Grant Program	97.067	316,714
Metropolitan Washington Council of Governments		
Homeland Security Grant Program	97.067	48,016
Prince George's County, Maryland		
Homeland Security Grant Program	97.067	6,850
Virginia Department of Emergency Services		
Disaster Grants - Public Assistance	97.036	49,084
Total United States Department of Homeland Security		764,367
Total Expenditures of Federal Awards		\$ 48,387,220

COUNTY OF LOUDOUN, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

Note 1—Summary of significant accounting policies

Reporting Entity - The accompanying schedule of expenditures of federal awards (the "Schedule") includes the activity of all federal award programs administered by the County of Loudoun, Virginia (the "County") and its component unit, the Loudoun County Public Schools. The County's reporting entity is defined in Note I A of the County's basic financial statements.

Federal award programs include direct expenditures, monies passed through to other governmental entities (i.e., payments to subrecipients), and nonmonetary assistance.

Basis of Presentation - The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Federal award program titles are reported as presented in the Catalog of Federal Domestic Assistance ("CFDA") in effect for the year in which the award was granted.

Basis of Accounting - The Schedule has been prepared on the modified accrual basis of accounting as defined in Note I B of the County's basic financial statements.

Matching Costs - The nonfederal share of certain program costs are not included in the Schedule.

Note 2—Relationship to federal financial reports

The regulation and guidelines governing the preparation of federal financial reports vary by federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the federal financial reports do not necessarily agree with the amounts reported in the accompanying Schedule.

Note 3—Noncash and other programs

- (a) The County received \$286,787 pass-through property sub-awards under the Homeland Security Grant Program (CFDA 97.067) for the year ended June 30, 2015. Such amounts are reflected in the accompanying Schedule and in the basic financial statements.
- (b) The Community Development Block Grant/Entitlement ("CDBG") (CFDA 14.218) is granted by U.S. Department of Housing and Urban Development ("HUD") to develop viable urban communities by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for persons of low and moderate income. The Loudoun County Home Improvement Program ("LCHIP"), which is funded by CDBG, provides loans and grants to income eligible homeowners to rehabilitate their homes. For the year ended June 30, 2015, Loudoun County provided \$3,354 from the repayment fund to the program recipients.
- (c) The Section 8 Housing Choice Vouchers program (CFDA 14.871) is granted by HUD to aid low income families in obtaining decent, safe, and sanitary rental housing. For the year ended June 30, 2015, \$59,800 from program income was provided to clients.
- (d) The Mainstream Vouchers program (CFDA 14.879) is granted by HUD to aid persons with disabilities in obtaining decent, safe, and sanitary rental housing. For the year ended June 30, 2015, \$907 from program income was provided to clients.
- (e) On December 9, 2014, the County and the Economic Development Authority entered into a Transportation Infrastructure Finance and Innovation Act ("TIFIA") loan agreement under CFDA 20.223 with the U.S. Department of Transportation. This loan will be used to finance the County's proportionate share (4.8%) of the costs of construction to extend the Washington Metropolitan Area Transit Authority's mass transit system into the County, not to exceed \$195.1 million. The outstanding balance of the loan as of June 30, 2015 is \$11,271,200. The County's expenditures of \$11,207,976 as of June 30, 2015 for the TIFIA program are included on the accompanying Schedule.

COUNTY OF LOUDOUN, VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

Note 4—Total 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. The following programs, reported in multiple line items in the accompanying Schedule, are totaled here:

Program	Federal Catalog Number	Expenditure
National School Lunch Program	10.555	\$6,385,928
Equitable Sharing Program	16.922	353,423
Homeland Security Grant Program	97.067	578,741

Note 5—Total by cluster

Federal programs can be part of an overall grant group aimed at achieving similar finding goals. The County's programs that are considered part of clusters, reported in multiple line items in the accompanying Schedule, are totaled here:

Program	Federal Catalog Number	Expenditure
Child Nutrition Cluster	10.553/10.555	\$7,442,992
Highway Safety Cluster	20.600/20.601	47,745
Housing Choice Voucher Cluster	14.871/14.879	7,791,731
Special Education Cluster	84.027/84.173	7,993,378
Aging Cluster	93.044/93.045/93.053	311,642
CCDF Cluster	93.575/93.596	101,395

COUNTY OF LOUDOUN, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2015

(1) Summary of Auditor's Results

- a. The type of report issued on the financial statements: **Unmodified**
- b. Significant deficiencies in internal control disclosed by the audit of the financial statements: **None reported**
- c. Material weakness in internal control disclosed by the audit of the financial statements: **No**
- d. Noncompliance which is material to the financial statements: **No**
- e. Significant deficiencies in internal control over major programs: **None reported**
- f. Material weakness in internal control over major programs: **Yes, 2015-001**
- g. The type of report issued on compliance for major programs: **Qualified** for Medicaid; **Unmodified** for other major programs
- h. Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: **Yes**
- i. Major programs:
 - Housing Voucher Cluster (CFDA Numbers 14.871 and 14.879)
 - Title 1, Part A Cluster (CFDA Number 84.010)
 - Special Education Cluster (IDEA) (CFDA Numbers 84.027 and 84.173)
 - Head Start Cluster (CFDA Number 93.600)
 - Medicaid Cluster (CFDA Number 93.778)
 - Transportation Infrastructure Finance and Innovation Act (TIFIA) (CFDA Number 20.223)
- j. Dollar threshold used to distinguish between Type A and Type B programs: **\$1,451,616**
- k. Auditee qualified as low-risk auditee under Section 530 of OMB Circular A-133: **No**

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

None reported.

COUNTY OF LOUDOUN, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2015

(3) Findings and Questioned Costs Relating to Federal Awards

2015-001: Material Weakness and Compliance Qualification – Eligibility

Program: Medical Assistance Program (CFDA Number 93.778 – U.S. Department of Health and Human Services – Virginia Department of Social Services; Federal Award Number: not available; Federal Award Year: 2015)

Condition: Of the forty (40) participants selected for testing, twenty (20) participant case files did not include evidence of annual eligibility redetermination and one participant case file did not include a properly signed application by an adult household member or authorized representative.

Criteria: Per the 42 CFR sections 435.907, 435.910, 435.913, and 435.920, participants in the Medicaid program must meet specified eligibility criteria to receive program assistance. For participants in the program longer than one year, a redetermination of eligibility is required to be performed at least every 12 months.

Cause: A significant increase in the number of applicants during the year as a result of continued implementation of Affordable Care Act measures, as well as a lack of personnel to assist in processing and reviewing these applications, prevented the County from complying with the program's requirements for determination of participant's eligibility.

Effect: The County's noncompliance could result in costs disallowed by the grantor or a reduction in future funding for this program.

Questioned Cost: Undeterminable.

Recommendation: The County should implement a plan to enhance internal controls related to participant eligibility to ensure renewals are occurring on a timely basis, all signatures required are included on the respective forms within each file, income is properly verified at each renewal period when required, and files contain adequate supporting documentation in accordance with OMB Circular A-133.

Views of Responsible Officials and Planned Corrective Action:

Responsible Person: Chris Slagle, Program Manager of Loudoun County Department of Family Services

Estimated Completion: May 27, 2016

Corrected Action: The issue of overdue Medicaid renewals has been an ongoing issue at the Local and State levels. Several strategies are currently being implemented to reduce and eliminate the backlog of overdue renewals.

A Medicaid team has been established whose primary responsibility will be to complete overdue renewals. In addition, all other workers have been given a quota of 10 overdue renewals to complete each week, in addition to their current renewals. Overtime pay is being offered to workers to complete additional reviews.

Furthermore, the state has stepped in and has offered several other strategies that will be implemented within the next few months. The state has hired an additional staff person to work in Loudoun to complete renewals. Administrators are making contact with other agencies to locate workers that would be able to work overtime to assist Loudoun with their backlog.

COUNTY OF LOUDOUN, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2015

(4) Findings and Questioned Costs Relating to Compliance with Commonwealth of Virginia Laws, Regulations, Contracts, and Grants

2015-002: Non-material Noncompliance – Social Services System Access

Condition: Four (4) of thirteen (13) newly employed Social Service employees did not receive the required initial training for the Virginia Department of Social Services (“VDSS”) State System access within 30 days of hire.

Criteria: Per Section 3-15 of the *Specifications for Audits of Counties, Cities, and Towns*, published by the Commonwealth of Virginia’s Auditor of Public Accounts, new employees must complete initial training for VDSS State System access within 30 days of hire.

Cause: New employees were not reported to the individual responsible for starting and monitoring the initial training for VDSS State System access in a timely manner.

Effect: Noncompliance may result in unauthorized individuals having system access.

Questioned Cost: Non-financial finding.

Recommendation: The County should implement corrective action aimed at enhancing internal controls related to the communication of the new hires to ensure system access is granted to properly authorized individuals.

Views of Responsible Official and Planned Correction Action:

Responsible Person: Allison Tibbs-Foster, Local Security Officer of Loudoun County Department of Family Services.

Estimated Completion: 11/15/2015

Corrected Action: The LSO and staff supervisor will ensure all new hires complete all required Information Security Training before granting access to additional state system applications. In addition, the LSO will run monthly Information Security Training reports out of SAMS to ensure all staff is in compliance with required training.

2015-003: Non-material Noncompliance – Conflict of Interest

Condition: Two (2) of fourteen (14) officials did not file a completed annual Statement of Economic Interests form by the December 15, 2014 deadline.

Criteria: Section 2.2-3115 of the *Code of Virginia* requires local officials to file a statement of economic interest with the clerk of the governing body semi-annually by December 15th and June 15th to disclose personal financial interests that may cause conflicts.

Cause: Semi-annual disclosure forms were not filed by December 15, 2014.

Effect: Noncompliance may result in action by the Commonwealth.

Questioned Cost: Non-financial finding.

COUNTY OF LOUDOUN, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2015

Recommendation: Elected officials should file a complete and accurate statement of economic interest on a timely basis to comply with the semi-annual deadlines of December 15th and June 15th.

Views of Responsible Officials and Planned Corrective Action:

Responsible Person: Leo P. Rogers, County Attorney of Loudoun County

Estimated Completion: December 31, 2015

Corrected Action: Officials will be reminded of the deadlines and notified that failure to file timely will be disclosed in the audit.

2015-004: Non-material Noncompliance – Social Services System Access

Condition: One (1) of eleven (11) separated Social Services employees did not have system access removed within three days of their separation date.

Criteria: Per the *Virginia Department of Social Services Finance Guidelines Manual for Local Departments of Social Services*, when an employee separates from the local Social Services department, his or her access privileges must be immediately removed from all systems that they were authorized to use.

Cause: Due to system characteristics, removing a terminated employee deletes all participant case files held within the SAMS System belonging to that employee. It was noted that the delay was to give additional time to the employee's supervisor in order to relocate the case files to an alternative system for safekeeping. This delay caused there to be additional time between their separation date and when system access was terminated.

Effect: Noncompliance may result in unauthorized individuals having system access.

Questioned Cost: Non-financial finding.

Recommendation: The County should implement corrective action aimed at enhancing internal control related to the communication when employees are terminated to ensure systems access privileges of separated employees are removed immediately.

Views of Responsible Officials and Planned Corrective Action:

Responsible Person: Allison Tibbs-Foster, Local Security Officer of Loudoun County Department of Family Services

Estimated Completion: December 1, 2015

Corrected Action: A new policy has been established that will ensure all pertinent staff receive timely communication regarding terminated employees. Due to changes in the State system, the process now requires cases to be reassigned before employees are terminated. This policy ensures that the supervisor and Local Security Office (LSO) terminate employees within the State required time frame.

COUNTY OF LOUDOUN, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2015

2015-005: Non-material Noncompliance – Social Services Internal Action and Vault Card Authorization Form

Condition: Three (3) of twenty-five (25) Internal Action and Vault EBT Card Authorization forms reviewed did not have a supervisor authorization to authorize the issuance of the Vault EBT Card.

Criteria: Per Section 3-15 of the *Specifications for Audits of Counties, Cities, and Towns*, published by the Commonwealth of Virginia's Auditor of Public Accounts, the eligibility worker must complete the Internal Action and Vault Card Authorization form to authorize the Issuance Unit to prepare and issue a vault card to an eligible household. The Eligibility Supervisor must approve the top portion of the form to authorize the Issuance or Administrative Supervisor to issue the card to an eligible household's EBT account.

Cause: The supervisor's authorization responsibility was not being clearly communicated to the eligibility workers.

Effect: Noncompliance may result in action by the Commonwealth.

Questioned Cost: Non-financial finding.

Recommendation: Supervisors should communicate the need to review and authorize the top portion of the Internal Action and Vault EBT Card Authorization form. Also, there is a need to communicate to issuance workers to not sign the form without proper authorization from supervisor.

Views of Responsible Officials and Planned Corrective Action:

Responsible Person: Colleen Stiles, Finance Manager, Family Services.

Estimated Completion: October 21, 2015

Corrected Action: The requirement for a supervisor to sign off on all vault card communication forms was presented to the Benefits Unit staff at a monthly staff meeting on 10/21/2015. Issuance staff have been instructed to only issue vault cards when all necessary signatures are present on vault card authorization forms.

2015-006: Non-material Noncompliance – Social Services Computer Access Request Forms

Condition: For a sample of thirty-seven (37) employees, four (4) social service workers did not have current Computer Access Request Forms on file.

Criteria: Per Section 3-15 of the *Specifications for Audits of Counties, Cities, and Towns*, published by the Commonwealth of Virginia's Auditor of Public Accounts, Computer Access Request Forms documenting a user's access authority must be available for all users.

Cause: A lack of documentation for employee State system access authorization.

Effect: Noncompliance may result in action by the Commonwealth.

Questioned Cost: Non-financial finding.

Recommendation: The County should ensure all required employees complete and file Computer Access Request Forms in accordance with Commonwealth requirements.

COUNTY OF LOUDOUN, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2015

Views of Responsible Officials and Planned Corrective Action:

Responsible Person: Allison Tibbs-Foster, Local Security Officer of Loudoun County Department of Family Services

Estimated Completion: December 1, 2015

Corrected Action: The Local Security Officer and unit supervisor will ensure all current staff have completed access forms in employee files. In addition, annual file review will be completed by Local Security Officer to ensure that long term employees hired prior to the new form implementation have the access forms on file.

2015-007: Non-material Noncompliance – Virginia’s Initiative for Employment not Welfare (“VIEW”) Purchased Services

Condition: For a sample of forty (40) VIEW transactions selected for testing, one (1) participant's Activity and Services Plan Agreement of Personal Responsibility (“APR”) was not properly signed by both the participant and the case worker. Additionally, three (3) of forty (40) VIEW service payment transactions selected for testing were received by a participant with an Activity and Service Plan that was indicated as “Pending”. All three transactions related to the same individual.

Criteria: Per Section 3-15 of the *Specifications for Audits of Counties, Cities, and Towns*, published by the Commonwealth of Virginia’s Auditor of Public Accounts, VIEW purchase service transactions must be in accordance with policies and based on individual VIEW participants Activity and Service Plan. Per the State *TANF Manual, Chapter 900, Section 901.5*, the APR must be signed in order for VIEW services payments to be completed under a proposed Activity and Service Plan.

Cause: A lack of functioning controls over participant documentation retention.

Effect: Noncompliance may result in action by the Commonwealth.

Questioned Cost: Undeterminable.

Recommendation: The County should implement a corrective action plan aimed at enhancing internal control related to participant documentation and review to ensure accurate and complete documentation supporting all participant intake and continuation information is prepared and maintained in accordance with County and Commonwealth record retention requirements

Views of Responsible Officials and Planned Corrective Action:

Responsible Person: Fran Coughlin, Program Manager

Estimated Completion: February 1, 2016

Corrected Action: All case files will be reorganized to allow for the current Activity and Service Plan (A&SP) to be at the top of case record at all times. Any supportive services must be clearly documented on the current A&SP. When submitting payment requests to the supervisor or designee for approval, the appropriate supportive service must be highlighted on the corresponding A&SP. This will be in addition to the current requirements of having all supportive documentation attached to the payment request. Any payment request that does not have both the highlighted A&SP supportive service and supportive documentation will be rejected by the supervisor or designee.

COUNTY OF LOUDOUN, VIRGINIA

STATUS OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2015

Status of Prior Year Findings and Questioned Costs Relating to *Government Auditing Standards*

2014-001: Material Weakness – Internal Control Over Financial Reporting – Year-end Completeness and Accuracy of Account Balances

Condition: During the year end closing and the external audit process, errors were identified by Finance Department management and Cherry Bekaert. Consequently, the County had to adjust certain yearly activities in order to fairly present the financial statements in accordance with GAAP.

Status: Finding not repeated in current year.

2014-002: Significant Deficiency – Internal Control Over Financial Reporting – Information Technology General Controls and Business System Implementation

Condition and Context: During the fiscal year ended June 30, 2013, the County implemented the Oracle Enterprise Business System (“EBS”) as part of Phase I for the County of Loudoun (the “County”), Virginia and Loudoun County Public Schools’ (“LCPS”) business system initiative to be used for the foundation of its enterprise resource planning (“ERP”) system. In addition, the County implemented Oracle Projects & Grant Management (“P&G”) for job costing activities associated with grant accounting and to account for construction in process to long-lived capital asset accounting. The Oracle based ERP implementation covers all significant business cycles and related classes of transactions that would materially affect or reasonably likely materially affect the County’s and LCPS’s System of Internal Control over Financial Reporting.

The County employed a “direct cutover” approach to “going live” on Phase I of the new Oracle EBS as opposed to a parallel testing approach leading up to the cutover. A parallel approach is often used to verify operational and financial outcomes against the legacy business system(s) prior to going live on the new system. In a direct cutover approach, organizations will typically use several rounds of user acceptance testing (“UAT”) and or end-to-end business cycle training sessions on copies of the organization’s production data to gain comfort with operational and financial outcomes prior to system cutover. We could not find sufficient evidence the County conducted robust financial close training prior to going live on the new system. We believe this increased the risk of unintended consequences, including error and reduced productivity, and the County’s ability to timely perform financial close processes and prepare the annual financial statements.

The County’s business requirements, system design, testing, and training to ensure business activities would integrate with the new ERP system for business and financial operations personnel appear insufficient. Specifically, we could not find evidence that business cycle end-to-end testing and related training related to Oracle EBS and P&G financial close processes was sufficiently robust to ensure both operational and financial reporting objectives would be achieved on a timely basis. We were unable to find evidence that the County completed all end user training for Oracle EBS and P&G prior to going live, including conducting full mock financial closes and testing of key system-based reports to verify results were in line with Management’s expectations.

Status: Finding not repeated in current year.

COUNTY OF LOUDOUN, VIRGINIA

STATUS OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2015

Status of Prior Year Findings and Questioned Costs Relating to Federal Awards

2014-003: Material Weakness and Compliance Qualification – Medicaid Assistance Program Eligibility

Condition: Of the 60 participants selected for testing, three participant case files did not include evidence of annual eligibility redetermination and one participant case file did not including evidence that income was properly verified and, therefore, the participant was eligible.

Status: Finding repeated in current year – see 2015-001.

Status of Prior Year Findings and Questioned Costs Relating to Compliance with Commonwealth of Virginia Laws, Regulations, Contracts, and Grants

2014-004: Non-material Noncompliance – Conflict of Interest

Condition: Two of fourteen annual Statement of Economic Interests forms were not completed properly filed and two of fourteen were not submitted by the January 15, 2014 deadline.

Status: Finding repeated in current year – see 2015-003.

2014-005: Non-material Noncompliance – Social Services System Access

Condition: One of sixteen separated Social Services employees did not have systems access removed within three days of their separation date.

Status: Finding repeated in current year – see 2015-004.

2014-006: Non-material Noncompliance – Social Services Acceptable Use Awareness Acknowledgment Form

Condition: For a sample of twenty employees tested, two employees did not have a current year Information Security Program and Acceptable Use Awareness Acknowledgement Forms on file.

Status: Finding not repeated in current year.

2014-007: Non-material Noncompliance – Social Services Computer Access Request Forms

Condition: For a sample of fourteen employees, two social service workers did not have current Computer Assess Request Forms on file.

Status: Finding repeated in current year – see 2015-006.

2014-008: Non-material Noncompliance – Virginia’s Initiative for Employment not Welfare (“VIEW”) Purchased Services

Condition: For a sample of twenty-five VIEW participants selected for testing, one participant’s Activity and Service Plan was not properly retained within the participant’s case file.

Status: Finding repeated in current year – see 2015-007.

COUNTY OF LOUDOUN, VIRGINIA
STATUS OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2015

2014-009: Non-material Noncompliance – Intergovernmental Agreements

Condition: For one Agreement the County has with the U.S. Department of Justice Drug Enforcement Administration, related to providing a HIDTA Task Force Group to address the use and abuse of controlled substances, reimbursement requests were not submitted to the grantor in accordance the Agreement's timelines and supporting documentation could not be provided for all requests made.

Status: Finding not repeated in current year.