



**COUNTY OF ISLE OF WIGHT, VIRGINIA**

**Audit of Federal Awards Performed in  
Accordance with U.S. Office of Management  
and Budget Circular A-133**

**June 30, 2012**

**(With Independent Auditors' Reports Thereon)**

## COUNTY OF ISLE OF WIGHT, VIRGINIA

### Table of Contents

	Page(s)
Schedule of Expenditures of Federal Awards	1
Notes to Schedule of Expenditures of Federal Awards	4
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 <i>Government Auditing Standards</i>	5 – 6
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	7 – 9
Schedule of Findings and Questioned Costs	10 – 15

**COUNTY OF ISLE OF WIGHT, VIRGINIA**

**Schedule of Expenditures of Federal Awards**

Year ended June 30, 2012

<u>Federal grantor/state pass through grantor/program title</u>	<u>CFDA number</u>	<u>Pass through number</u>	<u>Expenditures</u>
Department of Agriculture:			
Pass through Virginia Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553		\$ 256,947
National School Lunch Program	10.555		761,995
USDA Government Commodities	10.555		6,101
			<u>1,025,043</u>
Pass through Virginia Department of Social Services:			
Supplemental Nutrition Assistance Program Cluster:			
State Administrative Matching Grants for Food Stamp Program	10.561		<u>280,194</u>
Total Department of Agriculture			<u>1,305,237</u>
Department of Defense:			
Pass through Virginia Department of Education:			
JROTC	12.UNKNOWN		<u>64,274</u>
Total Department of Defense			<u>64,274</u>
Department of Housing and Urban Development:			
Pass-Through Payments – City of Suffolk, VA Department of Planning & Community Development:			
HOME Investment Partnerships	14.239		50,871
Pass-Through Payments-Virginia Housing Development Authority			
Housing Voucher Cluster:			
Section 8 Housing Choice Vouchers	14.871		<u>109,422</u>
Total Department of Housing and Urban Development			<u>160,293</u>
Department of Justice:			
State Criminal Alien Assistance Program	16.606	2011-H2684-VA-AP	191
Bulletproof Vest Partnership Program	16.607	12063031	<u>2,520</u>
			<u>2,711</u>
Pass through Virginia Department of Criminal Justice:			
Crime Victim Assistance	16.575	12-R8555VW11	48,292
ARRA-Violence Against Women	16.588	11-O9425VA10	11,707
ARRA-Violence Against Women	16.588	12-P9425VA11	9,887
			<u>69,886</u>
JAG Program Cluster:			
Byrne JAG Grant (LLEBG)	16.738		<u>1,372</u>
			<u>1,372</u>
Total Department of Justice			<u>73,969</u>
Department of Transportation:			
Pass through Virginia Department of Transportation:			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	EN08-046-115,P101, R201,C501-UPC #91219	155,633
ARRA-Pedestrian Safety Study	20.205	0017-046-594,P101, N501-UPC#95025	49,625
ARRA-Left Turn Extension	20.205	0017-046-594,P101, N501-UPC#95026	388
			<u>205,646</u>

**COUNTY OF ISLE OF WIGHT, VIRGINIA**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

<b>Federal grantor/state pass through grantor/program title</b>	<b>CFDA number</b>	<b>Pass through number</b>	<b>Expenditures</b>
Highway Safety Cluster:			
DMV Law Enforcement Traffic Safety	20.601	K8-2011-51311-4253-20.601	\$ 12,506
DMV Law Enforcement Traffic Safety	20.607	154AL-2012-52237-4615.20.607	16,896
			<u>29,402</u>
Total Department of Transportation			<u>235,048</u>
Department of Education:			
Pass through Virginia Department of Education:			
ARRA-McKinney-Vento	84.387	S387A090048	7,313
Safe and Drug-Free Schools and Communities – State Grants	84.186	Q186A090048	3,913
			<u>11,226</u>
Title I, Part A Cluster:			
Title I – Grants to Local Educational Agencies	84.010	S010A90046	597,188
ARRA-Title I – Local Education Recovery Act	84.389	S389A090046	72,220
			<u>669,408</u>
Special Education Cluster (IDEA):			
Special Education – Grants to States	84.027		1,158,374
Special Education – Preschool Grants	84.173	H173A090112	20,178
ARRA – Special ED Part B Section 611	84.391	H391A090107	331,374
ARRA – Special ED Part B Section 619 Pre-School	84.392	H392A090112	32,681
			<u>1,542,607</u>
Impact Aid Cluster:			
Impact Aid	84.041		34,384
Vocational Education – Basic Grants to States	84.048		75,301
			<u>109,685</u>
Educational Technology State Grants Cluster:			
Education Technology State Grants	84.318	S367A090044	3,699
Improving Teacher Quality State Grants	84.367	S010A090046	193,587
ARRA-Title II – Education Technology Recovery Act	84.386	S386A090046	8,365
			<u>205,651</u>
State Fiscal Stabilization Fund Cluster:			
Education Jobs Fund	84.410	S410A100047	1,145,601
Total Department of Education			<u>3,684,178</u>
Department of Health and Human Services:			
Pass through Virginia Department of Social Services:			
Adoption Recruitment	93.556	0950111	15,013
TANF Cluster:			
Temporary Assistance to Needy Families (TANF)	93.558	0400112	320,602
Refugee and Entrant Assistance State Administered Plans	93.566	0500112	539
Low-Income Home Energy Assistance Block Grant	93.568	0600412	21,936
			<u>343,077</u>
CCDF Cluster:			
Child Care and Development Block Grant	93.575	0770111	86,603
CCDF At Risk Daycare	93.596	0760112	85,052
			<u>171,655</u>

**COUNTY OF ISLE OF WIGHT, VIRGINIA**

**Schedule of Expenditures of Federal Awards**

Year ended June 30, 2012

<b>Federal grantor/state pass through grantor/program title</b>	<b>CFDA number</b>	<b>Pass through number</b>	<b>Expenditures</b>
Child Welfare Services State Grants	93.645	0900111	\$ 1,004
Foster Care -- Title IV-E	93.658	1100112	196,401
Adoption Assistance	93.659	1100112	43,268
Social Services Block Grant	93.667	1000112	228,915
Chafee Foster Care Independence Program	93.674	9150112	5,520
FAMIS	93.767	0540112	7,458
			<u>482,566</u>
Medicaid Cluster:			
Medical Assistance Program (Medicaid, Title XIX)	93.778	1200112	169,762
Total Department of Health and Human Services			<u>1,182,073</u>
Department of Homeland Security:			
Pass through Virginia Department of Emergency Management			
Maritime Domain Awareness Enhancement	97.056		31,952
Federal Emergency Management Agency (FEMA)	97.UNKNOWN		122,929
Total Department of Homeland Security			<u>154,881</u>
Total Expenditures of Federal Awards			<u>\$ 6,859,953</u>

See accompanying notes to schedule of expenditures of federal awards.

**COUNTY OF ISLE OF WIGHT, VIRGINIA**  
Notes to Schedule of Expenditures of Federal Awards  
Year ended June 30, 2012

**(1) Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Isle of Wight, Virginia (the County) including the Primary Government and the School Board, a discretely presented component unit, under programs of the federal government for the year ended June 30, 2012. The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budget (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 financial statements.

**(2) Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**(3) American Recovery and Reinvestment Act**

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."

**(4) Relationship to Federal Financial Reports**

Amounts reported in the accompanying Schedule agree substantially with the amounts in the federal financial reports except that certain federal financial reports are prepared on the cash basis of accounting and the Schedule is prepared on the basis of accounting described in note 2 above.

**(5) Subrecipients**

Of the federal expenditures presented in the Schedule, the County provided federal awards to a subrecipient in the amount \$31,952 from CFDA Number 97.056, Maritime Domain Awareness Enhancement.



KPMG LLP  
Suite 1900  
440 Monticello Avenue  
Norfolk, VA 23510

**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 Honorable Members of the Board of Supervisors  
County of Isle of Wight, Virginia:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Isle of Wight, Virginia (the County) as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

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

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency that is described in the accompanying schedule of findings and questioned costs as item 2012-01. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity, grantor agencies, and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

February 15, 2013





KPMG LLP  
Suite 1900  
440 Monticello Avenue  
Norfolk, VA 23510

**Independent Auditors' Report on Compliance With Requirements  
That Could Have a Direct and Material Effect on Each Major Program and  
on Internal Control Over Compliance in Accordance with OMB Circular A-133**

The Honorable Members of the Board of Supervisors  
County of Isle of Wight, Virginia:

**Compliance**

We have audited the County of Isle of Wight, 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, 2012. The County's major federal programs are identified in the Summary of Auditors' Results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2012-2 through 2012-5.

**Internal Control over Compliance**

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test



and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2012-2 through 2012-5. 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.

#### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of and for the year ended June 30, 2012, and have issued our report thereon dated November 30, 2012 which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the County's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to November 30, 2012. 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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



This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity, grantor agencies, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

February 15, 2013, except for the Schedule of  
Expenditures of Federal Awards, which is as  
of November 30, 2012

**COUNTY OF ISLE OF WIGHT, VIRGINIA**

**Schedule of Findings and Questioned Costs**

**Year ended June 30, 2012**

**Section I – Summary of Auditors' Results**

***Financial Statements***

Type of report issued on the financial statements: Unqualified opinion

Internal control over financial reporting:

- Material weakness in internal control identified? No
- Significant deficiencies in internal control identified that are not considered to be material weaknesses? Yes

Noncompliance which is material to the financial statements: No

***Federal Awards***

Internal control over major programs:

- Material weaknesses identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes

Type of report issued on compliance for major programs: Unqualified opinion

Any audit findings which are required to be reported Section 510(a) of OMB Circular A-133: Yes

Major Programs:

- Child Nutrition Cluster (CFDA Nos. 10.553 and 10.555)
- Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391, and 84.392)
- Education Jobs Grant (CFDA No. 84.410)
- Child Care Development Fund Cluster (CFDA Nos. 93.575 and 93.596)
- Temporary Assistance for Needy Families (CFDA No. 93.558)

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low risk auditee under Section 530 of OMB Circular A-133: No

## **COUNTY OF ISLE OF WIGHT, VIRGINIA**

### **Schedule of Findings and Questioned Costs**

**Year ended June 30, 2012**

#### **Section II – Findings Related to the Financial Statements Reported in Accordance with *Government Accounting Standards***

##### ***Finding 2012-1 Lack of Controls over Financial Reporting***

Management of the County is responsible for preparing its financial statements in conformity with the U.S. generally accepted accounting principles (GAAP) as promulgated by the Government Accounting Standards Board (GASB) and the specifications promulgated by the Auditor of Public Accounts of the Commonwealth of Virginia. Per GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (GASB 34)*, paragraph 32, the difference between a government's assets and its liabilities is its net assets. Net assets should be displayed in three components, invested in capital assets, net of related debt, restricted and unrestricted. In addition, GASB 34, paragraph 33, requires that the invested in capital asset, net of related debt component consists of capital assets, net of accumulated depreciation and is reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

At June 30, 2012, the County's controls over financial reporting were not operating effectively which resulted in the County reporting in its Statement of Net Assets for its Business-type Activities, negative net assets related to debt incurred and for which the corresponding asset is not recorded in the County's financial statements. Therefore, this amount should not have been included in the calculation capital assets, net of related debt and should have been classified as unrestricted net assets. In addition, the County reported in its Statement of Net Assets for its Governmental Activities, amounts related to an incorrect calculation that resulted in an overstatement of invested in capital assets, net of related debt and an understatement of unrestricted net assets.

We recommend that the County implement additional policies and procedures for reviewing all components of its net asset classifications to ensure that net assets are properly classified in the appropriate components in accordance with GAAP.

##### **Views of Responsible Officials**

The County concurs with KPMG's recommendation. The County will take appropriate actions to strengthen controls in reviewing all components of its net asset classifications to ensure that net assets are properly classified in accordance with GAAP.

#### **Section III – Findings and Questioned Costs Relating to Federal Awards**

##### ***Finding 2012-2 – Allowable Activities and Allowable Costs***

###### **Program:**

Child Care Development Fund Cluster (CCDF) CFDA 93.575 and 93.596 – U.S. Department of Health and Human Services – Commonwealth of Virginia Department of Social Services; Grant Year 2012

###### **Condition:**

For a sample of 40 CCDF participants selected for testing, 2 participants' co-pay calculations were incorrectly determined or applied.

## COUNTY OF ISLE OF WIGHT, VIRGINIA

### Schedule of Findings and Questioned Costs

Year ended June 30, 2012

**Criteria** – Per 45 CFR section 98 (CCDF), program participants must meet eligibility standards, which must be supported with appropriate grantee documentation.

**Cause** – County program personnel did not consistently perform an appropriate review to ensure the accuracy of income eligibility information to determine eligibility and assistance levels.

**Effect** – Noncompliance with requirements may result in program funding being disallowed by the grantor or reduced future funding.

**Questioned Cost** – \$54 out of a sample population of \$13,103 (0.41% of the population) due to incorrectly calculating co-pays for the recipient.

**Recommendation** – We recommend that the County implement procedures to reduce the risk of incorrectly computing benefits to participants.

#### **Views of Responsible Officials:**

- Contact Person: Reynold W. Jordan, Jr., Assistant Director, Isle of Wight Department of Social Services – 757-365-3672
- Corrective Action: We concur with KPMG's findings and recommendations and note the findings were due to a math error made by staff. As of 01/01/2012, the eligibility determinations are calculated by the State's system.
- Anticipated Completion Date: 01/01/2012

#### ***Finding 2012-3 – Time and Effort Certification***

##### **Program:**

Education Jobs Fund, CFDA No. 84.410 – U.S. Department of Education; Grant Year 2012

Special Education Cluster, CFDA No. 84.027, 84.173, 84.391 and 84.392 – U.S. Department of Education; Grant Year 2012

Child Nutrition Cluster, CFDA No. 10.553 and 10.555 – U.S. Department of Agriculture; Grant Year 2012

##### **Condition:**

Time and effort certifications did not support the assertion that employees worked solely on the applicable program for the period covered by the certification.

**Criteria** – Per OMB A-87 Attachment B paragraph 8.h.(3), when employees work on a single Federal award, charges for their salaries and wages must be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications must be prepared at least semi-annually and must be signed by the employee or a supervisory official with first-hand knowledge of the work performed by the employee.

**Cause** – Management was not aware that time and effort certifications need to specify that the employee worked solely for the grant.

## COUNTY OF ISLE OF WIGHT, VIRGINIA

### Schedule of Findings and Questioned Costs

Year ended June 30, 2012

**Effect** – Noncompliance with requirements may result in program funding being disallowed by the grantor or reduced future funding.

**Questioned Cost** – The Schools were able to retroactively certify all Federal grant employee's time and effort for Special Education, Education Jobs and Child Nutrition, therefore, there are no questioned costs associated with this finding.

**Recommendation** – We recommend that the Schools prepare timely certification statements that respective employees worked solely for the grant to which these salaries are attributed.

#### **Views of Responsible Officials:**

- Contact Person: Phillip A. Bradshaw, Chief Financial Officer, Isle of Wight County Schools 757-365-1627
- Corrective Action: We concur with KPMG's findings and recommendations. The Isle of Wight County Schools completed a retro-active certification of all time in fiscal year 2012. Going forward, Isle of Wight County Schools will complete semi-annual certification of grant time and effort.
- Anticipated Completion Date: Immediately with the first semi-annual to be completed on December 31, 2012.

#### ***Finding 2012-4 –Suspension and Debarment***

##### **Program:**

Special Education Cluster, CFDA No. 84.027, 84.173, 84.391 and 84.392 – U.S. Department of Education; Grant Year 2012

Child Nutrition Cluster, CFDA No. 10.553 and 10.555 – U.S. Department of Agriculture; Grant Year 2012

##### **Condition:**

Management did not verify suspension and debarment for vendors, when required.

**Criteria** – In accordance with 2 CFR part 180, Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. When a nonfederal entity enters into a covered transaction with an entity at a lower tier, the nonfederal 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

**Cause** – Management was not aware of their responsibility for checking suspension and debarment.

**Effect** – Noncompliance with requirements may result in program funding being disallowed by the grantor or reduced future funding.

## COUNTY OF ISLE OF WIGHT, VIRGINIA

### Schedule of Findings and Questioned Costs

Year ended June 30, 2012

**Questioned Cost** – There are no questioned costs as no vendor was suspended or debarred per review of the EPLS website.

**Recommendation** – We recommend that the schools verify vendors through the *EPLS website*, collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.

#### Views of Responsible Officials:

- Contact Person: Phillip A. Bradshaw, Chief Financial Officer, Isle of Wight County Schools 757-365-1627
- Corrective Action: We concur with KPMG's findings and recommendations. The Isle of Wight County Schools added a suspension and debarment affidavit to each bid and proposal packages and will include the affidavit in all contract renewals. Isle of Wight County Schools hired a Procurement Officer in October 2011 to assist in reviewing the procurement policies, which will include updating the terms and conditions that appear on all purchase orders.
- Anticipated Completion Date: Immediately

#### *Finding 2012-5 – Allowable Activities and Allowable Costs (Non-Payroll) and Procurement*

##### **Program:**

Special Education Cluster, CFDA No. 84.027, 84.173, 84.391 and 84.392 – U.S. Department of Education; Grant Year 2012

##### **Condition:**

For a sample of 8 Special Education vendors selected for testing, management was unable to provide procurement documentation, such as a sealed bid package or price quotes, for 5 vendors. For a sample of 10 nonpayroll disbursements selected for testing, 4 samples had approvals for purchase orders after the invoices were received.

**Criteria** – In accordance with Title 2.2, Chapter 43 of the Code of Virginia, all public contracts with nongovernmental contractors for the purchase or lease of goods, or for the purchase of services, insurance, or construction, shall be awarded after competitive sealed bidding, or competitive negotiation as provided in the Code of Virginia, unless otherwise authorized by law.

As stated within OMB Circular A-87, governmental units are responsible for the efficient and effective administration of Federal awards through the application of sound management practices. Governmental units assume responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award.

**Cause** – Management was unable to find procurement documentation due to the decentralized control environment. Management was unable to determine the amount that would be charged to the grant for services, as such, the Department waited until invoices were received to create purchase orders.

**Effect** – Noncompliance with requirements may result in program funding being disallowed by the grantor or reduced future funding.



**COUNTY OF ISLE OF WIGHT, VIRGINIA**

**Schedule of Findings and Questioned Costs**

**Year ended June 30, 2012**

**Questioned Cost** – There are no questioned costs as all nonpayroll expenditures were for allowable costs. There are no known questioned costs related to procurement expenditures.

**Recommendation** – We recommend that the schools implement controls to create a review process of all procurement transactions.

**Views of Responsible Officials:**

- **Contact Person:** Phillip A. Bradshaw, Chief Financial Officer, Isle of Wight County Schools 757-365-1627
- **Corrective Action:** We concur with KPMG's findings and recommendations. However, all exceptions noted were for purchases that occurred prior to Isle of Wight County Schools hiring a Procurement Officer. The Procurement Officer was hired in October 2011 and has since updated the procurement policies and procedures. Isle of Wight County Schools will continue to strengthen internal controls to ensure compliance with the new policies and procedures that were approved by the School Board.
- **Anticipated Completion Date:** Immediately

