Fairfax County
Board of Supervisors
Reports

Year ended June 30, 2010

KPMG LLP
2001 M Street, NW
Washington, DC 20036

November 15, 2010

The Board of Supervisors
County of Fairfax, Virginia:

Ladies and Gentlemen,

The purpose of this letter is to provide the Board of Supervisors of the County of Fairfax, Virginia (County) certain documents prepared in connection with our audit of the County's basic financial statements as of and for the year ended June 30, 2010. These documents, which are similar to what we have provided in prior years, are as follows:

Comprehensive Annual Financial Report – The comprehensive annual financial report (CAFR), which will be provided to you under separate cover, contains the basic financial statements of the County and its component units for the year ended June 30, 2010. Our independent auditors' report on these basic financial statements, which are the responsibility of the County's management, is included on the first two pages of the financial section. The CAFR also includes a transmittal letter from the County Executive, the Deputy County Executive, and the Director of Finance; management's discussion and analysis; required supplementary information; other supplementary information; and a statistical section.

Required Communications Letter – Statement of Auditing Standards No. 114, *The Auditor's Communication with Those Charged with Governance*, requires that we communicate certain matters regarding the conduct of the audit to the Board. The purpose of this letter is to provide the Board with certain information regarding the scope and results of the audit that may assist the Board in overseeing the financial reporting and disclosure process for which management is responsible.

No Material Weakness Letter – The purpose of this letter is to inform the Board that we noted no material weaknesses in performing our audit.

Single Audit Act Report – This document includes the County-prepared schedule of expenditures of federal awards for the year ended June 30, 2010. It also includes our report on the County's compliance with the types of compliance requirements applicable to each of your major federal award programs as well as your internal control over compliance with the requirements of laws, regulations contracts and grants applicable to each of your major federal award programs. Finally, it also includes our report on internal control over financial reporting and on compliance and other matters based on an audit performed in accordance with *Government Auditing Standards*.

We look forward to discussing these documents with you at the Board of Supervisors meeting on December 7, 2010. If you have any questions, please call me at (202) 533-6218 or Chuck Kozlik at (202) 533-3328.

Very truly yours,

John E. Reagan III
Partner, KPMG LLP

County of Fairfax, Virginia

Board of Supervisors Reports

Year ended June 30, 2010

Table of Contents

KPMG LLP
2001 M Street, NW
Washington, DC 20036-3389

November 15, 2010

CONFIDENTIAL

The Board of Supervisors
County of Fairfax, Virginia

Ladies and Gentlemen:

We have audited the financial statements of the County of Fairfax, Virginia (the County) for the year ended June 30, 2010, and have issued our report thereon dated November 15, 2010. Our report was modified to include a reference to the adoption of a new accounting standard effective July 1, 2009. We did not audit the financial statements of the Fairfax County Redevelopment and Housing Authority (FCRHA), a discretely presented component unit of the County, which represent 8.09%, 4.97%, and 15.54%, respectively, of total assets, net assets, and revenues of the aggregate discretely presented component units. Under our professional standards, we are providing you with the attached information related to the conduct of our audit.

Our Responsibility Under Professional Standards

We have a responsibility to conduct our audit of the financial statements 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*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the financial statements are detected.

In addition, in planning and performing our audit of the financial statements, we considered internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion 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.

We also have a responsibility to communicate significant matters related to the financial statement audit that are, in our professional judgment, relevant to the responsibilities of the Board of Supervisors (the Board) in overseeing the financial reporting process. We are not required to design procedures for the purpose of identifying other matters to communicate to you.

We also performed an audit, under the Single Audit Act of 1984 and the Single Audit Act Amendments of 1996, of the federal financial assistance programs that the County participated in during the year. Accordingly, we had the additional responsibility of issuing reports on:

- The schedule of expenditures of federal awards in relation to the basic financial statements taken as a whole.
- The County's compliance with laws, regulations, contracts and grant agreements that, if not complied with, could have a material effect on the federal awards programs.
- Our consideration of internal control over major federal awards programs.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the County's financial statements and our auditors' report thereon does not extend beyond the financial information identified in our auditors' report, and we have no obligation to perform any procedures to corroborate other information contained in these documents, for example, Management's Discussion and Analysis. We have, however, read the other information included in the County's Comprehensive Annual Financial Report, and no matters came to our attention that cause us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

Accounting Policies and Alternative Treatments

Significant Accounting Policies

The significant accounting policies used by the County are described in Note A to the financial statements. These policies and practices are considered most important to the portrayal of the County's financial condition and results of operations, and require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about matters that are inherently uncertain. We have discussed with management our assessment of management's disclosures regarding such policies and practices, the reasons why these policies and practices are considered critical, and how current and anticipated future events impact those determinations. We noted the County adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, and GASB Statement No 58, *Accounting and Financial Reporting for Bankruptcies*, effective July 1, 2009.

Unusual Transactions

We are not aware of any transactions entered into by the County during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Qualitative Aspects of Accounting Practices

We have discussed with management our judgments about the quality, not just the acceptability, of the County's accounting principles as applied in its financial reporting. The discussions generally included such matters as the consistency of the County's accounting policies and their application, and the understandability and completeness of the County's financial statements, which include related disclosures.

Management Judgments and Accounting Estimates

The preparation of the financial statements requires management of the County to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of certain revenues and expenses during the period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The following describes the more significant management estimates and judgments included in the financial statements:

- Evaluating the likelihood of an unfavorable outcome to the County with respect to pending litigation and claims.
- Determining the fair value of certain not readily marketable securities for the fiduciary funds.
- Determining the actuarial valuations for both pension obligations and other post-employment benefit (OPEB) obligations.
- Determining the estimated liabilities for reported claims and incurred but not reported claims relating to the County's self-insurance funds.
- Determining the estimated liability for landfill closure and post-closure care costs.
- Determining the allowances for uncollectible amounts within receivables.
- Determining the estimated cost of certain infrastructure assets.

We evaluated the key factors and assumptions that management used to develop these estimates and determined that the estimates are reasonable in relation to the financial statements taken as a whole.

Uncorrected and Corrected Misstatements

In connection with our audit of the County's financial statements, we did not identify any difference that would require us to propose an audit adjustment. In addition, we have not identified any significant financial statement misstatements that have not been corrected in the County's books and records as of and for the year ended June 30, 2010 and have communicated that finding to management.

Disagreements with Management

There were no significant disagreements with management on financial accounting and reporting matters that, if not satisfactorily resolved, would have caused a modification of our auditors' report on the County's financial statements.

Consultation with Other Accountants

To the best of our knowledge, management had not consulted with or obtained opinions, written or oral, from other independent accountants during the year ended June 30, 2010.

Major Issues Discussed with the Management Prior to Retention

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to our retention by you as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

Significant Written Communications Between the Auditor and Management

Attached to this report please find copies of the following material written communications between management and us:

1) Engagement letter (**Attachment 1**); and

2) Management representation letter (**Attachment 2**)

Independence

Our professional standards require that we communicate to you in writing, at least annually, all relationships between our firm and the County that, in our professional judgment, may reasonably be thought to bear on our independence. This section is intended to comply with such reporting requirement and provide confirmation that we are independent accountants with respect to the County.

We are not aware of any additional independence-related relationships between our firm and the County other than the professional services that have been provided to the County, which are summarized in the attached engagement letter.

Confirmation of Audit Independence

We hereby confirm that as of November 15, 2010, we are independent accountants with respect to the County under all relevant professional and regulatory standards.

KPMG's System of Quality Control and Related Matters

The enclosed document entitled, "KPMG – Our System of Quality Controls," including the attached addendum, is being provided to communicate to you matters related to KPMG's system of quality control.

This report to the Board of Supervisors is intended solely for the information and use of the Board of Supervisors and management and is not intended to be and should not be used by anyone other than these specified parties. This report is not intended for general use, circulation or publication and should not to be published, circulated, reproduced or used for any purpose without our prior written permission in each specific instance.

Very truly yours,

KPMG LLP

KPMG

KPMG LLP
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Washington, DC 20036

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Fax 202 533 8500
Internet www.us.kpmg.com

March 3, 2010

Mr. Victor Garcia, Director
Department of Finance
and
Ms. Cathy A. Muse, Director
Department of Purchasing and Supply Management
County of Fairfax
12000 Government Center Parkway
Suite 214
Fairfax, Virginia 22035-0013

Dear Mr. Garcia and Ms. Muse:

This letter amends our engagement letter dated February 9, 2009, confirming our understanding to provide professional audit services to Fairfax County and its related entities (hereinafter referred to as the County) by substituting the attached Appendix I for the Appendix I originally attached to our engagement letter.

The attached Appendix I lists the services to be rendered and related fees to provide each specified service. Except as specified in this letter and in the Appendix I attached to this letter, all provisions of the aforementioned engagement letter remain in effect until either the audit committee or we terminate this agreement or mutually agree to the modification of its terms.

KPMG member firms located outside the United States and other third-party service providers operating under our supervision may also participate in providing the services described in this letter.

We shall be pleased to discuss this letter with you at any time. For your convenience in confirming these arrangements, we enclose a copy of this letter. Please sign in the space provided and return the copy to us.

Very truly yours,

KPMG LLP

Jack Reagan
Partner

Cc: Rob Churchman, KPMG
Chuck Kozlik, KPMG

KPMG

ACCEPTED:

Fairfax County

Victor L. Garcia

Authorized Signature

Director of Finance

Title

March 9, 2010

Date

ACCEPTED:

Fairfax County

Cathy A Muse

Authorized Signature

Purchasing Agent

Title

Mar 11, 2010

Date

KPMG

County of Fairfax, Virginia
March 3, 2010

Appendix I

Fees for Services

Based upon our discussions with and representations of the County, our fees for services we will perform are estimated as follows:

Description	**Amount**
County	
Independent Auditors' Reports	
Oversight Entity	$267,595
Public Schools	200,000
Integrated Sewer System	33,000
Park Authority	33,000
Economic Development Authority	26,000
ERFC	45,000
County Retirement Systems	53,000
OMB A-133 Single Audit	180,000
Agreed Upon Procedures Reports	
Route 28 activity (as required by the Virginia APA)	7,000
Computation of Excess Revenues over Expenditures[1]	7,000
Activity of Inmate Canteen and other auxiliary funds (as required by the Virginia APA)	7,000
Sub-total	$858,595
Other	
Independent Auditors' Report	
State Route 28 Highway Transportation Improvement District	13,739
Total	**$872,334**

The above estimates are based on the level of experience of the individuals who will perform the services. Circumstances encountered during the performance of these services that warrant additional time or expense could cause us to be unable to deliver them within the above estimates. We will endeavor to notify you of any such circumstances as they are assessed.

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[1] Prepared in accordance with 40 CFR Part 258, Subpart G, *Criteria For Municipal Solid Waste Landfills - Financial Assurance Criteria*

V.G. 3/9/10
3/11/10

County of Fairfax, Virginia

To protect and enrich the quality of life for the people, neighborhoods, and diverse communities of Fairfax County

November 15, 2010

KPMG LLP
2001 M Street, NW
Washington, DC 20036

Ladies and Gentlemen:

We are providing this letter in connection with your audit of the financial statements of the County of Fairfax, Virginia (the County), as of and for the year ended June 30, 2010, for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the financial position 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, and the respective changes in financial position and cash flows, where applicable, in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation in the financial statements of financial position, changes in financial position, and cash flows in conformity with U.S. generally accepted accounting principles. We are also responsible for establishing and maintaining effective internal control over financial reporting. Further, we understand that the purpose of your testing of transactions and records from the County's federal programs (A-133 audit) was to obtain reasonable assurance that the County had complied, in all material respects, with the requirements of laws, regulations, contracts, and grants that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit:

1. The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles.

2. We have made available to you:

   a. All financial records and related data.

   b. All minutes of the meetings of the Board of Supervisors, or summaries of actions of recent meetings for which minutes have not yet been prepared.

3. Except as disclosed to you in writing, there have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

4. There are no:

   a. Violations or possible violations of laws or regulations, whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

   b. Unasserted claims or assessments that our lawyers have advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards (SFAS) No. 5, *Accounting for Contingencies*.

   c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by SFAS No. 5.

   d. Material transactions, for example, grants and other contractual arrangements, that have not been properly recorded in the accounting records underlying the financial statements.

   e. Events that have occurred subsequent to the date of the statement of net assets and through the date of this letter that would require adjustments to or disclosure in the basic financial statements.

5. There are no uncorrected financial statement misstatements or omissions of disclosures to be included on a schedule of uncorrected financial statement misstatements.

6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent, deter, and detect fraud. We understand that the term "fraud" includes misstatements arising from fraudulent financial reporting and misstatements arising from misappropriation of assets. Misstatements arising from fraudulent financial reporting are intentional misstatements, or omissions of amounts or disclosures in financial statements to deceive financial statement users. Misstatements arising from misappropriation of assets involve the theft of an entity's assets where the effect of the theft causes the financial statements not to be presented in conformity with U.S. generally accepted accounting principles.

7. We have no knowledge of any fraud or suspected fraud affecting the entity involving:

   a. Management,

   b. Employees who have significant roles in internal control over financial reporting, or

   c. Others where the fraud could have a material effect on the financial statements.

8. We have no knowledge of any allegations of fraud or suspected fraud affecting the County received in communications from employees, former employees, analysts, regulators, or others.

9. The County has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

10. We have no knowledge of any officer or member of the Board of Supervisors of the County, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate, or mislead you during your audit.

11. The following have been properly recorded or disclosed in the financial statements:

    a. Related party transactions including sales, purchases, loans, transfers, leasing arrangements, guarantees, ongoing contractual commitments, and amounts receivable from or payable to related parties. We understand that the term "related party" refers to affiliates of the County; entities for which investments are accounted for by the equity method by the County; trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management; key administrative, financial, and legislative personnel and other members of County management or businesses they represent or have an interest in; members of the immediate families of County management; and other parties with which the enterprise may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. Another party also is a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

    b. Guarantees, whether written or oral, under which the County is contingently liable.

    c. Arrangements with financial institutions involving compensating balances, or other arrangements involving restrictions on cash balances and lines of credit or similar arrangements.

    d. Agreements to repurchase assets previously sold, including sales with recourse.

    e. Changes in accounting principle affecting consistency.

    f. The existence of and transactions with joint ventures and other related organizations.

12. Capital assets, including infrastructure assets, are properly capitalized, reported and, if applicable, depreciated. There are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as disclosed in the notes to the basic financial statements.

13. The County has complied, in all material respects, with applicable laws, regulations, contracts and grants that could have a material effect on the financial statements in the event of noncompliance.

14. Management is responsible for compliance with the laws, regulations, and provisions of contracts and grants agreements applicable to the County. Management has identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts.

15. The County has identified and properly accounted for all non-exchange transactions.

16. There are no such deficiencies, significant deficiencies, or material weaknesses in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the County's ability to initiate, authorize, record, process, or report financial data. We have applied the definitions of a "significant deficiency" and a "material weakness" in accordance with the definitions in Statement on Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit.*

17. Receivables reported in the financial statements represent valid claims against debtors arising on or before the date of the statement of net assets and have been appropriately reduced to their estimated net realizable value.

18. The following information about financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the basic financial statements:

    a. Extent, nature, and terms of financial instruments with off-balance-sheet risk;

    b. The amount of credit risk of financial instruments with off-balance-sheet credit risk and information about the collateral supporting such financial instruments; and

    c. Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments.

19. The County is responsible for determining the fair value of certain investments as required by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. The amounts reported represent the County's best estimate of fair value of investments required to be reported under the Statement. The County also has disclosed the methods and significant assumptions used to estimate the fair value of its investments, and the nature of investments reported at amortized cost.

20. We believe that all material expenditures that have been deferred to future periods will be recoverable.

21. Deposits and investment securities are properly classified and reported.

22. We believe that the actuarial assumptions and methods used to measure financial statement liabilities and costs associated with pension and other post-employment benefits and to determine information related to the County's funding progress related to such benefits for financial reporting purposes are appropriate in the County's circumstances and that the related actuarial valuation was prepared in conformity with U.S. generally accepted accounting principles.

23. Provision has been made in the financial statements for the County's pollution remediation obligations. We believe that such estimate has been determined in accordance with the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* and is reasonable based on available information.

24. The County has no:

    a. Commitments for the purchase or sale of services or assets at prices involving material probable loss.

    b. Material amounts of obsolete, damaged, or unusable items included in the inventories at greater than salvage values.

    c. Loss to be sustained as a result of other-than-temporary declines in the fair value of investments.

25. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

26. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

27. The financial statements disclose all of the matters of which we are aware that are relevant to the entity's ability to continue as a going concern, including significant conditions and events, and our plans.

28. The County has identified and properly reported all of its derivative instruments in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* including the requirements related to the determination of hedging derivative instruments and the application of hedge accounting.

29. The County has properly applied the requirements of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets,* including those related to the recognition of outlays associated with the development of internally generated computer software.

30. We have received opinions of counsel upon each issuance of tax-exempt bonds that the interest on such bonds is exempt from federal income taxes under section 103 of the Internal Revenue Code of 1986, as amended. There have been no changes in the use of property financed with the proceeds of tax-exempt bonds, or any other occurrences, subsequent to the issuance of such opinions, that would jeopardize the tax-exempt status of the bonds. Provision has been made, where material, for the amount of any required arbitrage rebate.

31. We agree with the findings of specialists in evaluating the insurance and benefit claims payable and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

32. We have disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. generally accepted accounting principles (GAAP). We have evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on the County's current period financial statements, and the expected impact of each such policy and practice on future periods' financial reporting. We believe the effect of these policies and practices on the financial statements is not material. Furthermore, we do not believe the impact of the application of these policies and practices will be material to the financial statements in future periods.

33. In accordance with *Government Auditing Standards*, we have identified to you all previous audits, attestation engagements, and other studies that relate to the objectives of this audit, including whether related recommendations have been implemented.

34. The County's reporting entity includes all entities that are component units of the County. Such component units have been properly presented as either blended or discrete. The financial statements disclose all other joint ventures and other related organizations.

35. The financial statements properly classify all funds and activities.

36. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.

37. The County has complied with all tax and debt limits and with all debt related covenants.

38. The County has presented all required supplementary information. This information has been measured and prepared within prescribed guidelines.

39. The County has complied with all applicable laws and regulations in adopting, approving, and amending budgets.

40. The County has not elected to apply the option allowed in paragraph 7 of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Activities*, to the enterprise and internal service funds.

41. All funds that meet the quantitative criteria in GASB Statement No. 34 for presentation as major are identified and presented as such, and all other funds that are presented as major are considered to be particularly important to financial statement users by management.

42. Inter-fund, internal and intra-entity activity and balances have been appropriately classified and reported.

43. Special and extraordinary items are appropriately classified and reported.

44. Provision has been made for any material loss that is probable from environmental remediation liabilities associated with landfills in accordance with GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*. We believe that such estimate is reasonable based on available information and that the liabilities and related loss contingencies and the expected outcome of uncertainties have been adequately disclosed in the County's financial statements.

45. The County recorded all "on behalf" payments for fringe benefits and salaries in accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*.

46. The County reported the activities related to the Other Post-Employment Benefits (OPEB) in the financial statements in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions*. In addition, the County properly disclosed the pension related activities in accordance with GASB Statement No. 50, *Pension Disclosures – an Amendment of GASB Statements No. 25 and No. 27*.

47. Management has reviewed, approved, and taken responsibility for accrual adjustments.

48. Management has a process to track the status of audit findings and recommendations.

49. Management has provided views on reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report.

50. The County is responsible for complying, and has complied, with the requirements of OMB Circular A-133.

51. The County has prepared the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of OMB Circular A-133 and has included all expenditures made during the year ended June 30, 2009, for all awards provided by federal agencies in the form of grants, awards under the American Recovery and Reinvestment Act (ARRA), federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance. The County has appropriately identified and separated all ARRA awards within the SEFA.

52. The County is responsible for complying, and has complied, in all material respects, with the requirements of laws and regulations, and the provisions of contracts and grant agreements related to each of its federal programs. The County has disclosed to you any interpretations of any compliance requirements that have varying interpretations.

53. The County is responsible for establishing and maintaining, and has established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that federal awards are administered in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on a federal program.

54. We have communicated to you all significant deficiencies in the design or operation of internal control over compliance that we have identified which could adversely affect the County's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, and the provisions of contracts and grant agreements. We have not identified any material weaknesses in design or operation of internal control over compliance. Under standards established by the American Institute of Certified Public Accountants, a "control deficiency" in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A "significant deficiency" is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. A "material weakness" is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

55. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud in the administration of federal programs. We have no knowledge of any fraud or suspected fraud affecting the County's federal programs involving:

    a. Management, including management involved in the administration of federal programs;

    b. Employees who have significant roles in internal control over the administration of federal programs; or

    c. Others where the fraud could have a material effect on compliance with laws and regulations, and provisions of contract and grant agreements related to its federal programs.

56. The County has identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program.

57. The County has made available all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities related to major federal programs.

58. The County has identified and disclosed to you all questioned costs and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews.

59. The County has made available all documentation related to the compliance requirements, including information related to federal financial reports and claims for advances and reimbursements for major federal programs.

60. Except for the non-compliance disclosed to you, the County is in compliance with the documentation requirements contained in OMB Circular A-87, *Cost Principles for State, Local and Tribal Governments*, for all costs charged to federal awards, including both direct costs and indirect costs charged through cost allocation plans or indirect cost proposals. Costs charged to federal awards are considered allowable under the applicable cost principles contained in OMB Circular A-87.

61. Federal financial reports and claims for advances and reimbursements are supported by the accounting records from which the financial statements have been prepared.

62. The copies of federal financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.

63. The County has monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of OMB Circular A-133. The County has issued management decisions on a timely basis after receipt of subrecipient audit reports that identified non-compliance with laws, regulations, or the provisions of contracts or grant agreements, and has ensured that sub-recipients have taken appropriate and timely corrective action on such findings.

64. The County has considered the results of subrecipient audits and has made any necessary adjustments to its own accounting records.

65. The County is responsible for, and has accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133.

66. The County has provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

67. The County has accurately completed Part I of the data collection form.

68. The County has advised you of all contracts or other agreements with service organizations.

69. The County has disclosed to you all communications from its service organizations relating to noncompliance at the service organizations.

70. The County is not aware of any noncompliance occurring subsequent to the period for which compliance is audited.

71. The County has disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies (including material weaknesses), have occurred subsequent to the date as to which compliance is audited.

Sincerely,

County of Fairfax, Virginia

Anthony H. Griffin
County Executive

Edward L. Long, Jr.
Deputy County Executive

Victor L. Garcia
Director, Department of Finance

KPMG LLP
2001 M Street, NW
Washington, DC 20036

November 15, 2010

The Board of Supervisors
County of Fairfax, 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 Fairfax, Virginia (the County), which collectively comprise the County's basic financial statements, as of and for the year ended June 30, 2010, and have issued our report thereon dated November 15, 2010. We did not audit the financial statements of the Fairfax County Redevelopment and Housing Authority, a discretely presented component unit of the County, which represent 8.09%, 4.97%, and 15.54%, respectively, of total assets, net assets, and revenues of the aggregate discretely presented component units. In planning and performing our audit of the financial statements of the County in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 control deficiency in an entity's 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Very truly yours,

KPMG LLP

COUNTY OF FAIRFAX, VIRGINIA

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

June 30, 2010

(With Independent Auditors' Reports Thereon)

COUNTY OF FAIRFAX, VIRGINIA

Table of Contents

KPMG LLP
2001 M Street, NW
Washington, DC 20036-3389

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 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, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 15, 2010. Our report was modified to include a reference to the adoption of a new accounting standard effective July 1, 2009. Our report was also modified to include a reference to other auditors. 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, and the *Specifications for Audits of Counties, Cities, and Towns* (the Specifications) issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Other auditors audited the financial statements of the Fairfax County Redevelopment and Housing Authority, a discretely presented component unit of the County. 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, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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.

KPMG

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*.

We noted certain matters that we reported to the County management in a separate letter dated November 15, 2010.

This report is intended solely for the information and use of the Board of Supervisors, County management, the Auditor of Public Accounts of the Commonwealth of Virginia, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 15, 2010

KPMG LLP
2001 M Street, NW
Washington, DC 20036-3389

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

The Board of Supervisors
County of Fairfax, Virginia:

Compliance

We have audited the compliance of Fairfax County, Virginia (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. 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. 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 of the County's compliance with those requirements.

As described in items 2010-04 and 2010-06 in the accompanying schedule of findings and questioned costs, the County did not comply with the requirements regarding equipment and real property management related to its National Clean Diesel Funding Assistance (CFDA No. 66.039) program and the level of effort requirements related to its Special Education Cluster (CFDA No. 84.027/84.173/ 84.391/84.392) program. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010. 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 2010-01, 2010-02 and 2010-05.

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 in order to determine our 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.

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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be 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 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 described in the accompanying schedule of findings and questioned costs as items 2010-1, 2010-03, 2010-04, 2010-05 and 2010-07 to be material weaknesses.

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 2010-02 to be a significant deficiency.

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, 2010, and have issued our report thereon dated November 15, 2010. Our report was modified to include a reference to the adoption of a new accounting standard effective July 1, 2009. We did not audit the financial statements of the Fairfax County Redevelopment and Housing Authority, a discretely presented component unit of the County, which represents 8.09%, 4.97%, and 15.54%, respectively, of total assets, net assets, and revenues of the aggregate discretely presented component units. Our audit was performed 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The County's responses to the findings identified in our audit are presented 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 responses.

This report is intended solely for the information and use of the Board of Supervisors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 15, 2010

COUNTY OF FAIRFAX, VIRGINIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	Expenditures
Department of Agriculture		
Direct Awards:		
National School Lunch Program	10.555	$2,945,315
Child and Adult Care Food Program	10.558	4,488,977
Summer Food Service Program for Children	10.559	312,510
Fresh Fruit and Vegetable Program	10.582	106,770
Watershed Rehabilitation Program	10.916	956,312
ARRA - Watershed Rehabilitation Program	10.916	393,142
Passed Through the Commonwealth of Virginia:		
Department of Education		
School Breakfast Program	10.553	3,066,358
National School Lunch Program	10.555	17,865,815
ARRA - Child Nutrition Discretionary Grants Limited Availability (02-40592-10.579)	10.579	252,816
Department of Health		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	2,603,723
Department of Social Services		
Child and Adult Care Food Program	10.558	121,660
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	6,190,883
ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	71,018
Department of Behavioral Health and Developmental Services		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	146,114
Department of Commerce		
Passed Through the Commonwealth of Virginia:		
Department of Emergency Management		
Public Safety Interoperable Communications Grant Program	11.555	2,096,900
Department of Defense		
Direct Awards:		
Junior ROTC (Department of Navy)	12.000	475,075
Army Youth Programs in Your Neighborhood (Department of Army)	12.003	29,934
Federal Shelter Program (Department of Army)	12.115	113,917
Passed Through the Commonwealth of Virginia:		
Department of Transportation		
Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation	12.607	689,713
Department of Housing and Urban Development		
Direct Awards:		
Supportive Housing for Persons with Disabilities	14.181	254,652
Community Development Block Grants/Entitlement Grants	14.218	7,106,749
Emergency Shelter Grants Program	14.231	263,978
Supportive Housing Program	14.235	848,218
Shelter Plus Care	14.238	1,306,844
HOME Investment Partnerships Program	14.239	1,252,918
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	85,356
Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)	14.253	517,288
Homelessness Prevention and Rapid Re-Housing Program (Recovery Act Funded)	14.257	1,017,869
Fair Housing Assistance Program_State and Local	14.401	144,557
Public and Indian Housing	14.850	2,998,807
Resident Opportunity and Supportive Services - Service Coordinators (VA019RNN019A006-07965)	14.870	49,702
Resident Opportunity and Supportive Services - Service Coordinators (VA019REF030A006-08965)	14.870	35,643
Resident Opportunity and Supportive Services - Service Coordinators (VA019RFS194A007-09965)	14.870	18,515
Resident Opportunity and Supportive Services - Service Coordinators (VA019RFS185A008-10965)	14.870	58,493
Resident Opportunity and Supportive Services - Service Coordinators (VA019RFS197A009-11965)	14.870	17,004
Section 8 Housing Choice Vouchers	14.871	42,506,727
Public Housing Capital Fund	14.872	1,712,921
Public Housing Capital Fund Stimulus (Formula) Recovery Act Funded	14.885	2,294,177

COUNTY OF FAIRFAX, VIRGINIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	Expenditures
Department of the Interior		
Direct Awards:		
Wildlife Restoration	15.611	$53,762
Partners for Fish and Wildlife	15.631	3,806
Passed Through the Commonwealth of Virginia:		
Department of Historic Resouces		
Historic Preservation Fund Grants-In-Aid (RQ10-149806-40A)	15.904	6,975
Department of Justice		
Direct Awards:		
Part E - Developing, Testing and Demonstrating Promising New Programs	16.541	20,282
State Criminal Alien Assistance Program	16.606	1,477,913
Bulletproof Vest Partnership Program	16.607	14,473
Public Safety Partnership and Community Policing Grants	16.710	88,917
Edward Byrne Memorial Justice Assistance Grant Program	16.738	52,688
Edward Byrne Memorial Competitive Grant Program	16.751	54,694
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants To Units Of Local Government	16.804	246,648
Passed Through the Commonwealth of Virginia:		
Department of Criminal Justice Services		
Prisoner Reentry Initiative Demonstration (Offender Reentry) (MOA-29-03-01)	16.202	235,724
Juvenile Accountability Block Grants (09-K3224JB06, 09-A5969JB07, 10-L3224JB08)	16.523	89,195
Supervised Visitation, Safe Havens for Children	16.527	8,595
Juvenile Justice and Delinquency Prevention_Allocation to States (10-A5999JJ09, 10-D5267JJ08))	16.540	87,989
Missing Children's Assistance	16.543	9,119
Crime Victim Assistance (09-I3445SA08, 10-K3445SA09)	16.575	54,542
Crime Victim Assistance/Discretionary Grants (09-L9836VA08, 10-M9836VA09)	16.582	40,089
Violence Against Women Formula Grants (08-I933VA07, 10-A6080VS09)	16.588	92,982
Compensation Board		
Recovery Act - Eward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	16.803	856,341
Passed Through the University of Maryland:		
Community Capacity Development Office	16.595	427,152
Passed Through the County of Loudoun, Virginia:		
Anti-Gang Initiative	16.744	261,397
Passed Through the Northern Virginia Gang Task Force:		
Congressionally Recommended Awards	16.753	446,807
Department of Labor		
Passed Through the Commonwealth of Virginia:		
Virginia Community College System		
WIA Adult Program (LWA 11-09)	17.258	497,947
ARRA - WIA Adult Program (LWA ARRA-11)	17.258	263,898
WIA Youth Activities (LWA 11-09)	17.259	265,308
ARRA - WIA Youth Activities (LWA ARRA-11)	17.259	213,813
WIA Dislocated Workers (LWA 11-09)	17.260	1,297,135
ARRA - WIA Dislocated Workers (LWA ARRA-11)	17.260	585,414
Department of Transportation		
Direct Awards:		
Highway Planning and Construction	20.205	25,066
Federal Transit_Capital Investment Grants	20.500	1,762,750
Job Access_Reverse Commute	20.516	88,338

COUNTY OF FAIRFAX, VIRGINIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	Expenditures
Passed Through the Commonwealth of Virginia:		
Department of Transportation		
Highway Planning and Construction	20.205	$808,923
Department of Motor Vehicles		
State and Community Highway Safety (K8-2009-59183-3486, K8-2010-50138-3758)	20.600	89,247
Department of the Treasury		
Direct Awards:		
Taxpayer Service	21.003	29,804
Equal Employment Opportunity Commission		
Direct Awards:		
Employment Discrimination_Private Bar Program	30.005	170,637
National Aeronautics and Space Administration		
Direct Awards:		
Aerospace Education Services Program	43.001	38,935
Institute of Museum and Library Services		
Direct Awards:		
National Leadership Grants	45.312	54,897
Laura Bush 21st Century Librarian Program	45.313	71,402
National Endowment for the Humanities		
Passed Through the American Library Association:		
Promotion of the Humanities_Public Programs	45.164	2,250
Environmental Protection Agency		
Direct Awards:		
ARRA - National Clean Diesel Emissions Reduction Program	66.039	827,176
Passed Through the Commonwealth of Virginia:		
Virginia Resources Authority		
ARRA - Capitalization Grants for Clean Water State Revolving Funds	66.458	1,974,575
Department of Energy		
Direct Awards:		
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	236,344
Department of Education		
Direct Awards:		
Impact Aid	84.041	4,159,466
Fund for the Improvement of Education	84.215	228,188
Foreign Language Assistance	84.293	13,964
Passed Through the Commonwealth of Virginia:		
Department of Education		
Adult Education - Basic Grants to States (VA02A090046, V002A070046)	84.002	861,416
Title I Grants to Local Educational Agencies (S010A090046)	84.010	16,800,653
Title I Program for Neglected and Delinquent Children (S013S090046)	84.013	47,957
Special Education_Grants to States (H027A090107, H027A080107)	84.027	36,054,576
Career and Technical Education -- Basic Grants to States (V048A090046)	84.048	1,646,658
Special Education_Preschool Grants (H173A090112)	84.173	791,166
Safe and Drug-Free Schools and Communities_State Grants (Q186A090048, 86871-36-09)	84.186	342,238
Education for Homeless Children and Youth (S196A080048)	84.196	58,841
Twenty-First Century Community Learning Centers (S287C070047)	84.287	52,806
Education Technology State Grants (S318X090046)	84.318	81,268
English Language Acquisition Grants (S365A090046)	84.365	4,027,095
Improving Teacher Quality State Grants (S367A090044)	84.367	3,835,338
Education Technology State Grants, Recovery Act (S386A090046)	84.386	249,781
Education for Homeless Children and Youth, Recovery Act (S387A090048)	84.387	79,952

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	Expenditures
Title I Grants to Local Educational Agencies, Recovery Act (S389A090046)	84.389	$6,632,093
Special Education Grants to States, Recovery Act (H391A090107)	84.391	16,014,982
Special Education - Preschool Grants, Recovery Act (H392A090112)	84.392	616,844
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act (S394A090047)	84.394	23,691,696
Department of Behavioral Health and Developmental Services		
Special Education-Grants for Infants and Families	84.181	1,101,049
Special Education - Grants for Infants and Families, Recovery Act	84.393	589,400
Compensation Board		
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	11,271,022
Department of Health and Human Services		
Direct Awards:		
Drug-Free Communities Support Program Grants	93.276	74,455
Head Start	93.600	6,972,010
ARRA - Head Start	93.708	149,078
ARRA - Early Head Start	93.709	226,222
Medicare_Prescription Drug Coverage	93.770	1,249,630
Medical Assistance Program	93.778	1,426,939
Passed Through the Commonwealth of Virginia:		
Department for the Aging		
Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	33,966
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	644,237
Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045	1,119,308
National Family Caregiver Support, Title III, Part E	93.052	190,997
ARRA - Aging Home-Delivered Nutrition Services for States	93.705	29,120
ARRA - Aging Congregate Nutrition Services for States	93.707	29,667
Medicare_Supplementary Medical Insurance	93.774	5,280
Department of Health		
Public Health Emergency Preparedness (CDC-RFA-TP08-802)	93.069	1,206,006
Project Grants and Cooperative Agreements for Tuberculosis Control Programs (609-409-93116-06-7)	93.116	168,830
Immunization Grants (409-EE-1000-4401300-43273-00-00-09)	93.268	65,621
ARRA - Immunization (DOI-ARRA-1267-409)	93.712	3,763
National Bioterrorism Hospital Preparedness Program	93.889	3,742
Maternal and Child Health Services Block Grant to the States (409-OFHSMCH-08)	93.994	245,368
Department of Behavioral Health and Developmental Services		
Projects for Assistance in Transition from Homelessness (PATH)	93.150	156,881
National Bioterrorism Hospital Preparedness Program	93.889	875
Block Grants for Community Mental Health Services	93.958	1,261,722
Block Grants for Prevention and Treatment of Substance Abuse	93.959	3,320,517
Department of Social Services		
Promoting Safe and Stable Families	93.556	91,416
Temporary Assistance for Needy Families (RFP-BEN-08-007-11)	93.558	4,790,884
Refugee and Entrant Assistance_State Administered Programs	93.566	450,575
Low-Income Home Energy Assistance	93.568	188,252
Community Services Block Grant	93.569	584,272
Child Care and Development Block Grant	93.575	5,951,521
ARRA - Child Care and Development Block Grant (ECD-09-063-04)	93.575	10,214
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	7,390,046
Chafee Education and Training Vouchers Program (ETV)	93.599	44,186
Adoption Incentive Payments	93.603	8,734
Child Welfare Services_State Grants	93.645	7,514
Foster Care_Title IV-E	93.658	4,964,256
ARRA - Foster Care_Title IV-E	93.658	156,295
Adoption Assistance	93.659	1,908,633
ARRA - Adoption Assistance	93.659	193,108
Social Services Block Grant	93.667	2,111,580
Family Violence Prevention and Services/Grants for Battered Women's Shelters_Grants to States and Indian Tribes	93.671	6,492
Chafee Foster Care Independence Program	93.674	64,515

COUNTY OF FAIRFAX, VIRGINIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	Expenditures
ARRA - Community Services Block Grant (CVS-09-066-08)	93.710	$608,011
ARRA - Child Care and Development Block Grant	93.713	1,185,736
ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs	93.714	771,946
Children's Health Insurance Program	93.767	278,650
Medical Assistance Program	93.778	3,536,359
Passed Through the National Association of County and City Health Officials (NACCHO)		
Medical Reserve Corps Small Grant Program (MRC 07465, MRC 10 0169)	93.008	4,479
Passed through the Northern Virginia Regional Commission:		
HIV Care Formula Grants	93.917	49,353
Department of Homeland Security		
Direct Awards:		
National Urban Search and Rescue (US&R) Response System	97.025	885,192
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	545,093
Assistance to Firefighters Grant	97.044	86,887
Passed Through the Commonwealth of Virginia:		
Department of Emergency Management		
Pilot Demonstration or Earmarked Projects	97.001	62,487
Emergency Management Performance Grants	97.042	73,036
State Homeland Security Program (SHSP)	97.073	362,843
Passed Through the District of Columbia Homeland Security & Emergency Management Agency:		
Homeland Security Grant Program (7UASI533-01, 7UASI533-02, 7UASI533-04, 7UASI533-05, 8UASI533-01, 8UASI533-02, 8UASI533-03, 8UASI533-04, 9UASI533-01, 9UASI533-02, 9UASI533-03)	97.067	6,186,719
United States Agency for International Development		
Direct Awards:		
USAID Foreign Assistance for Programs Overseas	98.001	4,866,431
		$315,609,717

COUNTY OF FAIRFAX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

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

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

(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 Health (VDH) administers the H1N1 vaccine distribution within the Commonwealth of Virginia. VDH reports values for all the H1N1 vaccines. In FY 2010, the Fairfax County Health Department (HD) received 90,775 free doses of the H1N1 vaccine from VDH. These doses were utilized in the County's efforts to prevent the spread of the Swine Flu virus during the year. The value of these vaccines is not included on the accompanying schedule.

The Commonwealth of Virginia Department of Agriculture and Consumer Services (VDACS), Division of Marketing, 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, the County received a net value of donated food in the amount of $600,840 for the year ended June 30, 2010.

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. These loans had outstanding principal due of $10,579,000 at June 30, 2010. In addition, FCRHA held Federal Housing Administration (FHA) insured mortgage revenue bonds secured by land, buildings, and equipment of $4,825,000 at June 30, 2010. Finally, FCRHA issued certain bonds and notes to permanently finance certain public housing projects. Principal and interest on these bonds and notes are paid by HUD through the Annual Contributions Contract of the Public and Indian Housing grant (14.850). Such payments totaled $165,324 during the year ended June 30, 2010.

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. The State Homeland Security Program (97.073) is also granted by the U.S. Department of Homeland Security to build capabilities to prevent, deter, respond to, and recover from incidents of terrorism at the state and local levels through planning, equipment, training, and exercise activities and support the implementation of state homeland security strategies and key elements of the national preparedness architecture. Several Washington, DC metropolitan jurisdictions receive funding under these two programs. 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, 2010, Fairfax County purchased and transferred equipment or supplies valued at $314,049 for the Homeland Security Grant Program (97.067) and $34,347 for the State Homeland Security Program (97.073) 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 program funding is received both directly and through a pass-through entity, and some is received through multiple pass-through entities. Additionally, a federal agency may request the County to provide a higher level of detail on the Schedule of Expenditures of Federal Awards, rather than a total by federal catalogue number. The following programs, reported in multiple line items in the accompanying schedule, are totaled here:

COUNTY OF FAIRFAX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

Program Title	Number		Program
National School Lunch Program	10.555	$	20,811,130
Child and Adult Care Food Program	10.558		4,610,637
State Administrative Matching Grants for the Supplemental Nutrition Assistance Prog	10.561		6,408,015
Watershed Rehabilitation Program	10.916		1,349,454
Resident Opportunity and Supportive Services	14.870		179,357
WIA Adult Program	17.258		761,845
WIA Youth Activities	17.259		479,121
WIA Dislocated Workers	17.260		1,882,549
Highway Planning and Construction	20.205		833,989
Child Care and Development Block Grant	93.575		5,961,735
Foster Care - Title IV-E	93.658		5,120,551
Adoption Assistance	93.659		2,101,741
Medical Assistance Program	93.778		4,963,298
National Bioterrorism Hospital Preparedness Program	93.889		4,617

(4) Totals by Clusters

Federal programs with different Catalog of Federal Domestic Assistance 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, 2010

Name of Cluster	Programs Title	Federal Catalogue Number	Total by Program
Child Nutrition Cluster	School Breakfast Program	10.553	$3,066,358
	National School Lunch Program	10.555	20,811,130
	Summer Food Service Program for Children	10.559	312,510
Child Nutrition Cluster Total			24,189,998
State Nutritional Assistance Program (SNAP) Cluster	State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	6,336,997
	ARRA - State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	71,018
SNAP Cluster Total			6,408,015
Community Development Block Grant (CDBG) Cluster	Community Development Block Grant/Entitlement Grants	14.218	7,106,749
	Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)	14.253	517,288
CDBG - Entitlement Grants Cluster Total			7,624,037
Housing Voucher Cluster	Section 8 Housing Choice Vouchers	14.871	42,506,727
Housing Voucher Cluster Total			42,506,727
Capital Fund Program (CFP) Cluster	Public Housing Capital Fund	14.872	1,712,921
	Public Housing Capital Fund Stimulus (Formula) Recovery Act Funded	14.885	2,294,177
CFP Cluster Total			4,007,098
Worforce Investment Act (WIA) Cluster	WIA Adult Program	17.258	497,947
	ARRA - WIA Adult Program	17.258	263,898
	WIA Youth Activities	17.259	265,308
	ARRA - WIA Youth Activities	17.259	213,813
	WIA Dislocated Workers	17.260	1,297,135
	ARRA - WIA Dislocated Workers	17.260	585,414
WIA Cluster Total			3,123,515
Highway Planning and Construction Cluster	Highway Planning and Construction	20.205	833,989
Highway Planning and Construction Cluster Total			833,989
Federal Transit Cluster	Federal Transit - Capital Investment Grants	20.500	1,762,750
Federal Transit Cluster Total			1,762,750
Title I, Part A Cluster	Title I Grants to Local Educational Agencies	84.010	16,800,653
	Title I Grants to Local Educational Agencies, Recovery Act	84.389	6,632,093
Title I, Part A Cluster Total			23,432,746

COUNTY OF FAIRFAX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

Special Education Cluster (IDEA)	Special Education_Grants to States	84.027	$36,054,576
	Special Education_Preschool Grants	84.173	791,166
	Special Education Grants to States, Recovery Act	84.391	16,014,982
	Special Education - Preschool Grants, Recovery Act	84.392	616,844
Special Education Cluster (IDEA) Total			53,477,568
Impact Aid Cluster	Impact Aid	84.041	4,159,466
Impact Aid Cluster Total			4,159,466
Early Intervention Servcies (IDEA) Cluster	Special Education-Grants for Infants and Families	84.181	1,101,049
	Special Education - Grants for Infants and Families, Recovery Act	84.393	589,400
Early Intervention Servcies (IDEA) Cluster Total			1,690,449
Educational Technology State Grants Cluster	Education Technology State Grants	84.318	81,268
	Education Technology State Grants, Recovery Act	84.386	249,781
Educational Technology State Grants Cluster Total			331,049
State Fiscal Stabilization Fund Cluster	State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	23,691,696
	State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	11,271,022
State Fiscal Stabilization Fund Cluster Total			34,962,718
Aging Cluster	Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	644,237
	Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045	1,119,308
	ARRA - Aging Home-Delivered Nutrition Services for States	93.705	29,120
	ARRA - Aging Congregate Nutrition Services for States	93.707	29,667
Aging Cluster Total			1,822,332
Temporary Assistance for Needy Families (TANF) Cluster	Temporary Assistance for Needy Families (TANF) State Programs	93.558	4,790,884
	ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs	93.714	771,946
TANF Cluster Total			5,562,830
Community Services Block Grant Cluster	Community Services Block Grant	93.569	584,272
	ARRA - Community Services Block Grant	93.710	608,011
CSBG Cluster Total			1,192,283

COUNTY OF FAIRFAX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

CCDF Cluster	Child Care and Development Block Grant	93.575	$5,951,521
	ARRA - Child Care and Development Block Grant	93.575	10,214
	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	7,390,046
	ARRA - Child Care and Development Block Grant	93.713	1,185,736
CCDF Cluster Total			14,537,517
Head Start Cluster	Head Start	93.600	6,972,010
	ARRA - Head Start	93.708	149,078
	ARRA - Early Head Start	93.709	226,222
Head Start Cluster Total			7,347,310
Medicaid Cluster	Medical Assistance Program	93.778	4,963,298
Medicaid Cluster Total			4,963,298
Homeland Security Cluster	Homeland Security Grant Program	97.067	6,186,719
Homeland Security Cluster Total			6,186,719
Grand Total			*$250,122,414*

(5) Subrecipients

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

Program Title	Federal Catalogue Number	Amount Provided to Subrecipients
Community Development Block Grant/Entitlement Grants	14.218	$1,701,327
Shelter Plus Care	14.238	1,306,844
Head Start	93.600	1,627,418
ARRA - Head Start	93.708	78,058
Total		$4,713,647

COUNTY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

(1) Summary of Auditors' Results

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

B. Internal control over financial reporting:

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

Material weakness identified? **None**

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

D. Significant deficiencies in internal control over major programs noted? **Yes, finding 2010-02**

E. Material weaknesses in internal control over major programs noted? **Yes, findings 2010-01, 2010-03, 2010-04, 2010-05, and 2010-07**

F. Type of report issued on compliance for major programs:

Qualified opinion for equipment and real property management (National Clean Diesel Funding Assistance (CFDA No. 66.039)).

Qualified opinion for level of effort (Special Education Cluster (CFDA #84.027 / 84.173 / 84.391 / 84.392)).

Unqualified opinions over other applicable compliance requirements for all other major programs.

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) State Nutrition Assistance Program Cluster (CFDA #10.551 / 10.561)
(2) Watershed Rehabilitation Program (CFDA #10.916)
(3) Community Development Block Grant Cluster (CFDA #14.218 / 14.253)
(4) Homelessness Prevention and Rapid Re-Housing (CFDA #14.257)
(5) Capital Fund Program Cluster (CFDA #14.872 / 14.885)
(6) Edward Byrne Justice Assistance Grant (CFDA #16.803)
(7) Workforce Investment Act Cluster (CFDA #17.258 / 17.259 / 17.260)
(8) National Clean Diesel Funding Assistance Program (CFDA #66.039)
(9) Capitalization Grants for Clean Water (CFDA #66.458)
(10) Title I Cluster (CFDA #84.010 / 84.389)
(11) Special Education Cluster (CFDA #84.027 / 84.173 / 84.391 / 84.392)
(12) Impact Aid (CFDA #84.041)
(13) IDEA Cluster (CFDA #84.181 / 84.393)
(14) Education Technology State Grants Cluster (CFDA #84.318 / 84.386)
(15) State Fiscal Stabilization Fund Cluster (CFDA #84.394 / 84.397)
(16) Aging Cluster (CFDA #93.044 / 93.045 / 93.053 / 93.705 / 93.707)
(17) Temporary Assistance for Needy Families Cluster (CFDA #93.558 / 93.714)
(18) Community Services Block Grant Cluster (CFDA #93.569 / 93.710)
(19) Child Care Development Fund Cluster (CFDA #93.575 / 93.596 / 93.713)
(20) Head Start Cluster (CFDA #93.600 / 93.708 / 93.709)
(21) Foster Care (CFDA #93.658)
(22) Adoption Assistance (CFDA #93.659)
(23) USAID Foreign Assistance Program (CFDA #98.001)

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

(3) Findings and Questioned Costs for Federal Awards

Finding 2010-01 – Eligibility

Program
Child Care Development Fund Cluster (CFDA No. 93.575 / 93.596 / 93.713, (ECD-09-063-04) Grant Year 2010)

Condition:
During our Single Audit test work, we noted instances where an insufficient audit trail existed, and thus, we were not able to complete our testing over the eligibility determination process:

1. For a sample of 65 families receiving assistance from the Child Care Development Fund, we noted two instances where the family's application was not appropriately signed by the County's Eligibility Worker to document that the required re-determination was performed.

2. For a sample of 65 families receiving assistance from the Child Care Development Fund, we noted one instance where supporting documentation could not be provided to verify that the family appropriately resided within Fairfax County.

In both conditions noted above, the families were otherwise deemed to be eligible based upon evidence in the respective case file. The condition noted describes a deficiency in maintaining the appropriate eligibility documentation.

Criteria:
Grantee is required to maintain adequate internal controls to prevent and detect instances of noncompliance.

Cause:
These instances of noncompliance are indicative of a control deficiency regarding inadequate/ineffective review of eligibility determination files and a failure to maintain adequate supporting documentation in the case file to substantiate eligibility determinations.

Effect:
Undeterminable; however, the monthly disbursement tested was approximately $1,650 for the participant in part 2 of the condition above.

Questioned Costs:
None noted as the participants were otherwise eligible.

Recommendation:
County program management should follow current policies and procedures in place to ensure compliance with the program's requirements. Specifically:

- An effective quality control review of eligibility determinations should be performed to ensure that policies and procedures are being followed by the Eligibility Workers and are effectively monitored.

- Documentation used during the eligibility determination should be maintained in the case files in accordance with County policy and applicable federal regulations to appropriately support program participant eligibility.

Management Response:

Finding #1: To ensure compliance in the future, each application/recertification will be reviewed by the Human Service Worker as well as their Child Care Specialist teammate. A notation on the last page of the application to the effect: "All required signed and dated documents are in the record" will be signed and dated by both.

Finding #2: Although we have reason to believe that the proof of residency document for the cited case was, in fact, received, we have been unable to locate that documentation. We, therefore, concur with the finding that the file was incomplete at the time of audit. However, documentation from ADAPT demonstrates the case met residency requirements at the time of the audit. Since the audit, we have received further confirmation of the family's eligibility. In the future, file reviews by two individuals (as indicated above) will serve as additional assurance that files are complete. (Note for the record: Following the auditor's report of this deficiency, the department has obtained documentation of the family's eligibility. No further action on this case is required.)

Finding 2010-02 – Davis-Bacon

Program:
Watershed Rehabilitation Program (CFDA No. 10.916, Grant Year 2010)

Condition:
During our testwork over grant expenditures, we noted that two of six certified payrolls sampled for testing showed evidence that the respective vendor paid the same employee in each payroll an amount below the minimum wage-rate in violation of the Davis-Bacon Act. Specifically, the employee was paid at a rate of $23.98 per hour when the minimum rate for the related type work was $36.95 per hour. County grant program management's review of the respective certified payrolls did not identify this noncompliance.

Criteria:
Program management is required to maintain adequate internal controls to ensure compliance with the grant's requirements for certified payrolls.

The requirements for Davis-Bacon are contained in 40 USC 3141-3144, 3146, and 3147; 29 CFR part 29; the A-102 Common Rule (§___.36(i)(5)); OMB Circular A-110 (2 CFR part 215, Appendix A, Contract Provisions); program legislation; Section 1606 of ARRA and OMB guidance at 2 CFR part 176, Subpart C; Federal awarding agency regulations; and the terms and conditions of the award (including that imposed by ARRA).

Cause:
The condition noted is indicative of a control deficiency regarding inadequate/ineffective review of certified vendor payrolls.

Effect:
Failure to adequately review certified payrolls received from vendors increases the risk that violations of the Davis-Bacon Act requirements applicable to federally funded programs will occur, which may result in reductions in future program funding.

Questioned Costs:
None as the grant was under-charged for related activities.

Recommendation:
County program management should re-emphasize the importance of its current policies and control procedures related to program compliance and perform a thorough review to prevent noncompliance with the Davis-Bacon Act requirements.

Management Response:
In an effort to proactively address the condition described above, the Stormwater Planning Division and the Construction Management Division of the Department of Public Works and Environmental Services are currently developing an additional step in reviewing the certified payroll submissions to ensure this oversight does not occur again and that federal requirements pertaining to Davis-Bacon wages are met. The contractor, Environmental Quality Resources L.L.C. (EQR) has corrected the instance for the May 8, 2010 payroll. Further information and research are required to address the instance sited for May 29, 2010.

Finding 2010-03 – Procurement, Suspension & Debarment

Program:
Watershed Rehabilitation Program (CFDA No. 10.916, Grant Year 2010)

Condition:
During our suspension and debarment testwork over the program's procurement of architecture/engineering/design services, we noted that County program management did not verify that vendors were not suspended or debarred. Neither the Department of Public Works and Environmental Services (DPWES) nor the program manager checked the Excluded Parties List

System, collected a certification from the vendor, or added a clause to the service contract that requires the vendor to certify they have not been suspended or debarred.

Criteria:
Management is required to maintain adequate internal controls to prevent and detect instances of noncompliance.

The requirements for suspension and debarment are contained OMB guidance in 2 CFR part 180, which implements Executive Orders 12549 and 12689, Debarment and Suspension; Federal agency regulations in 2 CFR implementing the OMB guidance; the A-102 Common Rule (§____.36); OMB Circular A-110 (2 CFR section 215.13); program legislation; Federal awarding agency regulations; and the terms and conditions of the award.

Cause:
The County's program management did not have in place a procedure to verify grant contractors were appropriately not suspended or debarred in accordance with grant requirements.

Effect:
The failure to adequately review whether or not vendors are suspended/debarred from doing business with the federal government (including federal grant programs) results in a failure of internal controls and noncompliance with program requirements, which may result in reductions in future program funding.

Questioned Costs:
None as the vendors reviewed were determined not to be suspended or debarred.

Recommendation:
We recommend that County program management enhance existing policies and procedures to incorporate a specific determination of vendor suspension and debarment status at the issuance of the contract and at a set period of time throughout the contract (e.g., annually) to re-confirm their suspension and debarment status.

Management Response:
In an effort to proactively address the condition described above, effective immediately the Stormwater Management Division will check the Excluded Parties List System on all of the architecture/engineering/design service vendors prior to applying related expenditures to the federal programs. A screen print will be obtained from the Excluded Parties List System to verify compliance with the suspension and debarment requirements. The vendors will be monitored yearly after the initial check.

Finding 2010-04 – Equipment and Real Property Management

Program:
National Clean Diesel Funding Assistance (CFDA No. 66.039, Grant Year 2010)

Condition:
As of June 30, 2010, the County was in the process of performing its program related equipment deployment procedures. As the deployment had not been completed by fiscal year end, program management had not updated the County's capital asset inventory to include all clean diesel devices purchased with grant funds whether already installed on or yet to be installed on its vehicles.

Criteria:
The requirements for equipment are contained in the A-102 Common Rule (§___.32), OMB Circular A-110 (2 CFR section 215.34), program legislation, Federal awarding agency regulations, and the terms and conditions of the grant award. The A-102 Common Rule requires that equipment be used in the program for which it was acquired or, when appropriate, other Federal programs. Equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained.

Cause:
Program management decided to not enter the equipment purchases into the County's FASGov system when acquired, but instead intended to enter all clean diesel equipment into the system when the installation project was fully completed.

Effect:
The failure of internal controls surrounding the tracking and inventory of equipment purchased with federal funds can lead to a greater potential for noncompliance with federal grant requirements and a failure to adequately safeguard such assets. Since these assets were not entered into FASGov when acquired, they were not subjected to the inventory procedures performed by the County. Noncompliance with grant requirements may result in reductions in future program funding.

Questioned Costs:
None as all purchased capital assets were for allowable activities.

Recommendation:
We recommend that the County adhere to its established policies and procedures to record the purchase of capital assets when acquired so to adequately maintain and safeguard its equipment. Such internal control procedures will help to ensure compliance with federal grant program requirements.

Management Response:
Management does not concur with the finding. The procedure followed complies completely with the letter and intent of the terms of the grant. The grant terms and conditions do not state or imply a timeframe for inventory record entry except that all terms and conditions must be certified as met at the end of the performance period (originally Oct. 31, 2010, now extended to April 30, 2011); and a

physical inventory of the units is required at least once every two years (first due no later than April 6, 2012).

The finding correctly implies that the time between receipt and recording in inventory was unusually long. This grant-funded acquisition of add-on equipment for vehicles is unprecedented and required consideration of several alternatives to satisfy the terms and conditions of the grant. Since we have now determined the most appropriate process, we will be able to enter the records sooner after receipt should the situation recur.

Since receipt of the first item the project manager has maintained an electronic database tracking the location and status of each unit the county has accepted. DVS will consult with DPSM and DOF to ensure that for any future, similar situations such documentation contains sufficient information to satisfy accounting standards.

KPMG response:
KPMG has read the County's response and considers our finding to be appropriate as presented.

Finding 2010-05 – Allowable Costs

Program:
Head Start Cluster (CFDA No. 93.600/93.708/93.709, Grant Year 2010)

Condition:
During our allowable cost testwork related to payroll expenditures charged to the grant, we noted the following:

1. For a sample of 40 Head Start expenditures tested, we noted that two timesheets did not have evidence of a supervisor's approval in accordance with County and grant allowable cost requirements.

2. For a sample of 40 Head Start expenditures tested, we noted one time sheet, although approved by a supervisor, which reflected more hours worked than the hours recorded in County's payroll system.

Criteria:
The principles for allowable costs are contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* (2 CFR part 225), program legislation, Federal awarding agency regulations, and the terms and conditions of the grant award.

Cause:
County personnel did not consistently follow County prescribed procedures regarding the review of employee timesheets.

Effect:
The failure of internal controls surrounding the review of employee timesheets could lead to a greater potential for noncompliance with federal grant requirements, which may result in reductions in future program funding.

Questioned Costs:
The payroll charges reimbursed by the grant for the two timesheets noted were approximately $5,200. There is no question cost for the timesheet with hours greater than that recorded in the payroll system as those excess hours were not charged to the grant.

Recommendation:
We recommend that the County adhere to established policies and procedures to ensure the adequate review of all payroll expenses charged to the program.

Management Response:
The policy of Head Start management and payroll staff is to fully implement Fairfax County's Personnel/Payroll Administration Policies and Procedures Memorandum No. 8, "Time and Attendance Controls."

The County's policy on time sheet authorization provides for three levels of review:

1. The immediate supervisor or higher level manager must sign the time sheet;
2. The division timekeeper performs a second level review of each employee's time and are responsible for, among other things, ensuring that the necessary supervisory approval has been completed; and
3. The agency payroll contact perform the last level of review in order to ensure proper reconciliation of time and exceptions and also ensuring that supervisory approval has been completed.

<u>Findings:</u>

1. The audit noted that two timesheets did not show evidence of a supervisor's approval; and
2. One time sheet, although approved, reflected more hours than recorded in the County's PRISM payroll system

<u>Corrective Action Plan</u>

Finding #1: We concur with the finding. Staff has been counseled about the importance of processing timesheets with proper supervisory approval. The Office for Children Human Resources Manager has sent an email to all staff reiterating that time sheets will only be processed with appropriate supervisory approval.

Finding #2: We concur with the finding. The error correction noted by the auditor was made with the prior knowledge of both the employee and the supervisor, but the time sheet does not reflect that fact. In the future, any proposed entry to PRISM that is different from the entry on the approved timesheet will be initialed by both the employee and the supervisor prior to entry to PRISM. When time is critical, an email notification to both will be made and a copy of that notice will remain with the timesheet.

Finding No. 2010-06 – Level of Effort

Program:
Special Education Cluster (CFDA No. 84.027/84.173/84.391/84.392 (H027A090107, H027A080107, H173A090112, H391A090107, H392A090112) Grant Year 2010)

Condition:
The County can demonstrate meeting the Special Education Maintenance of Effort (MOE) requirement by satisfying any one of four options.

1. Option #1 - Local Special Education expenditures increase from the prior year;
2. Option #2 - Local Special Education expenditures per pupil increase from the prior year;
3. Option #3 - Local plus State Special Education expenditures increase from the prior year; or
4. Option #4 - Local plus State Special Education expenditures per pupil increase from the prior year.

During our level of effort testing, we reviewed the County's Special Education expenditure and enrollment data and determined that none of the four tests above were achieved by the County. As such, the County is not compliant with the level of effort requirements of the program. We noted that Fairfax County Public Schools was actively monitoring its status of progress towards fulfilling the MOE requirements and was aware that they were not compliant for the year under audit. As such, we did not consider this a control deficiency.

Criteria:
The requirements for Special Education level of effort determinations are contained in 20 USC 1413.

Cause:
Insufficient County and state funding was made available for Fairfax County Public Schools to maintain the level of effort required under the Special Education program.

Effect:
The failure to meet the level of effort requirements results in program noncompliance with federal grant requirements, which may result in reductions in future program funding.

Recommendation:
We recommend that the County continue to monitor its progress towards meeting the level of effort requirements throughout the fiscal year and that adjustments be made to activities to ensure expenditures levels are maintained in accordance with the grants requirements.

Management Response:
The appropriate use of the ARRA IDEA funds was discussed at length with the Virginia Department of Education (VDOE) especially in relation to MOE through the Spring and Summer of 2010. Based on guidance from VDOE, FCPS made plans for the expenditures of the funds based on the waivers that the State indicated were appropriate. We were required to file the annual report before the guidelines for the waivers had been finalized and told that requests for use of the waivers would come after the annual report had been filed. The State contacted FCPS on October 27, 2010, to discuss the failure to meet MOE and the steps to pursue all appropriate waivers allowable by the U.S. Department of Education. A VDOE memo to division superintendents dated November 5, 2010, provides guidance (http://www.doe.virginia.gov/administrators/superintendents_memos/2010/271-10.shtml). FCPS will continue to pursue the waivers and is confident in meeting the compliance with the Special Education Level of Effort discussed in 20 USC 1413.

Finding No. 2010-07 – Procurement, Suspension and Debarment

Program:
Clean Water State Revolving Fund (CFDA No. 66.458, Grant Year 2010)

Condition:
During our suspension and debarment testwork related to the program's procurement of engineering and construction services, it was noted that the County did not have a procedure in place to verify that related transactions were in compliance with the suspension and debarment requirements of the grant. Neither the DPWES nor the program manager checked the Excluded Parties List System, obtained a positive compliance certification from the vendor or added a clause to the vendor service contract requiring the vendor to certify that they were not suspended or debarred.

Criteria:
Management is required to maintain adequate internal controls to prevent and detect instances of noncompliance.

Specifically, when a non-federal entity enters into a transaction with an entity, the non-federal entity must verify that it is not suspended or debarred. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), obtaining a certification from the vendor, or adding a contractual clause to the covered transaction with that entity (2 CFR sections 180.300).

The requirements for suspension and debarment are contained OMB guidance in 2 CFR part 180, which implements Executive Orders 12549 and 12689, Debarment and Suspension; Federal agency regulations in 2 CFR implementing the OMB guidance; the A-102 Common Rule (§____.36); OMB Circular A-110 (2 CFR section 215.13); program legislation; Federal awarding agency regulations; and the terms and conditions of the award.

Cause:
County program management did not have a process in place to check the EPLS, obtain a certification from the vendor or add a clause to the contract to ensure that the vendor had not been suspended or debarred.

Effect:
The failure to adequately review whether vendors are suspended or debarred from doing business with the County through its federal grant programs results from a failure of internal controls and noncompliance with program requirements. Consequently, noncompliance with grant requirements may result in reductions in future program funding.

Questioned Costs:
None as the vendors reviewed were determined not to be suspended or debarred

Recommendation:
We recommend that County program management enhance existing policies and procedures to incorporate a specific determination of vendor suspension and debarment status at the issuance of the contract and at a set period of time throughout the contract (e.g., annually) to re-confirm their suspension and debarment status.

Management Response:
The deficiency has been corrected. The procedures for contract award will be modified to include checking for suspended or debarred vendors during the bid review process, if the project is funded in order to comply with this requirement. This should be completed by the end of December 2010. It should be noted that the program does not anticipate any future grant funds being available for future projects.