

COUNTY OF SPOTSYLVANIA, VIRGINIA

SINGLE AUDIT REPORT

JUNE 30, 2011

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**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 Spotsylvania, Virginia

We have audited the financial statements of the County of Spotsylvania, Virginia as of and for the year ended June 30, 2011, and have issued our report thereon dated November 8, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of Example Entity is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Example Entity'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 Example Entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Example Entity's internal control over financial reporting.

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

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 a material weakness, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs at item 2011-001 that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Spotsylvania, Virginia's

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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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as items 2011-002 and 2011-003.

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

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, the Auditor of Public Accounts, and 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.

A handwritten signature in black ink, appearing to read "Miller Foley Group", followed by a long horizontal line.

Fredericksburg, Virginia
November 8, 2011



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Supervisors
County of Spotsylvania, Virginia

Compliance

We have audited the County of Spotsylvania, Virginia's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County of Spotsylvania, Virginia's major federal programs for the year ended June 30, 2011. The County of Spotsylvania, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Spotsylvania, Virginia's management. Our responsibility is to express an opinion on the County of Spotsylvania, Virginia'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 has occurred. An audit includes examining, on a test basis, evidence about the County of Spotsylvania, Virginia'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 of Spotsylvania, Virginia's compliance with those requirements.

In our opinion, the County of Spotsylvania, Virginia, complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011. 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 2011-002 and 2011-003.

Internal Control over Compliance

Management of the County of Spotsylvania, Virginia 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 of Spotsylvania, Virginia's internal control over compliance with requirements that could have

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a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Spotsylvania, Virginia's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate presented component units, each major fund, and the aggregate remaining fund information of the County of Spotsylvania, Virginia as of and for the year ended June 30, 2011, and have issued our report thereon dated November 8, 2011, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, the Auditor of Public Accounts, and 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.



Fredericksburg, Virginia
November 8, 2011

COUNTY OF SPOTSYLVANIA, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the general purpose financial statements of the County of Spotsylvania, Virginia.
2. One significant deficiency relating to the audit of the financial statements is reported in the *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 deficiency is not reported as a material weakness.
3. No instances of noncompliance material to the financial statements of the County of Spotsylvania, Virginia, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. The auditors' report on compliance for the major federal award programs for the County of Spotsylvania, Virginia expresses an unqualified opinion on all major federal programs.
5. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
6. The programs tested as major programs include:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Highway Planning and Construction Cluster	20.205
Energy, Efficiency, and Conservation	81.128
Title I, Part A Cluster	84.010, 84.389
Special Education Cluster (IDEA)	84.027, 84.173, 84.391 and 84.392
State Fiscal Stabilization Fund Cluster	84.394
Head Start Cluster	93.600, 93.708

7. The threshold for distinguishing Type A and B programs was \$894,670.
8. The County of Spotsylvania, Virginia did not qualify as a low-risk auditee.

COUNTY OF SPOTSYLVANIA, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

FINDINGS – FINANCIAL STATEMENT AUDIT

2011-001 Compliance with Budget and Appropriations

Condition: In two instances, school funds exceeded budget and appropriations amounts at year end.

Criteria: School Board management is responsible for complying with budget and appropriations. In addition, the Treasurer's office is responsible for monitoring compliance with appropriations.

Cause: The School Board management underestimated expenses for year end; including accruals and failed to make requests to have budgetary and appropriations amounts increased prior to June 30, 2011. In addition, the Treasurer's office had an internal error in processing appropriated amounts and failed to realize amounts had been exceeded.

Effect: Two funds exceeded budgeted and appropriated funds.

Recommendation: Projections of expenditures need to be monitored and appropriate action taken prior to exceeding the authorized budget and appropriation limits. In addition, the Treasurer's office needs to review its procedures to insure that they are effectively tracking appropriations.

Views of responsible officials and planned corrective action: For all FY 2011 expenditures, including accruals, the School Board had adequate levels of revenue or cash to support the expenditures. However, at the end of the first half of each fiscal year, School Board management will project revenues and expenses, including accruals, compared to the budget and will submit to the School Board an amendment in January for approval and then, to the Board of Supervisors for approval. Additional budget adjustments will be made in April or May of each year, as needed. School Board management will be very liberal in preparing estimates to avoid underestimating the expenses compared to the budget.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

2011-002 State Fiscal Stabilization Fund – CFDA 84.394

Condition: Reimbursement reports for State Stabilization funds were supported by inaccurate financial information which resulted in an over reimbursement of funds of approximately \$550,000 on the first two reimbursement reports filed through December 2010. Subsequent reports were adjusted to correct the error.

Criteria: The Federal law requires that reimbursements be adequately documented and have internal controls over the process to insure accuracy and completeness.

Cause: The School Board's management did not follow the established grant review procedures and did not carefully review these reimbursement reports or related charges.

Effect: It appears that the School Board may not be compliant with Federal Law as the reimbursement requests were not supported by accurate documentation and resulted in an over reimbursement of funds for the period of July 2010 – December 2010.

Context: Approximately \$550,000 of costs was over-reimbursed on two reports submitted. Of that amount, about \$200,000 was expended after the reporting dates but prior to actual report submission. All amounts were adjusted on the next report submitted approximately five months later.

COUNTY OF SPOTSYLVANIA, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Recommendation: The School Board should strengthen their system for proper preparation, reconciliation and review of reimbursement reports. Furthermore, they should consider filing reimbursement reports on a more regular basis which may aid in the identification of errors that can be corrected in a timely manner.

Views of responsible officials and planned corrective action: By way of corrective action, School Board management has enhanced its preparation, reconciliation and grant review process. A training workshop was held in August 2011 and it was emphasized to the grant bookkeepers that the primary source of documentation for grant reimbursements is the monthly iSeries expenditure report. When grant reimbursements are presented for approval, grant bookkeepers must attach to the Omega reimbursement document, the related iSeries report, the payroll report, if applicable, and the expense vs. grant reconciliation reimbursement tracking report. Consistently throughout the year, School Board management will review the reconciliation reports for timeliness, completeness and accuracy of the amounts. State Fiscal Stabilization Funds can be used to cover any local expense or supplant; thus, the school division had valid expenditures to cover the \$550,000 reimbursement request for the period July 2010-December 2010.

2011-003 State Fiscal Stabilization Fund – CFDA 84.394

Condition: Reimbursement reports for State Stabilization funds were improperly dated and did not coincide with the actual periods or expenditure amounts reported in the general ledger for those periods.

Criteria: The Federal law requires that reimbursements be adequately documented and have internal controls over the process to insure accuracy and completeness and that expenditures coincide with the reporting period.

Cause: The School Board's management did not follow the established grant review procedures and did not carefully review these reimbursement reports or related charges.

Effect: It appears that the School Board may not be compliant with Federal Law as the reimbursement requests were not for the periods included in the reports. Rather than correct the first two reimbursement reports for the inaccuracies, the subsequent reimbursement reports were reduced for the error and did not coincide with the actual expenditures for the period.

Recommendation: The School Board should strengthen their system for proper preparation, reconciliation and review of reimbursement reports.

Views of responsible officials and planned corrective action: By way of corrective action, School Board management has enhanced its preparation, reconciliation and grant review process. A training workshop was held in August 2011 and it was emphasized to the grant bookkeepers that the primary source of documentation for grant reimbursements is the monthly iSeries expenditure report. When grant reimbursements are presented for approval, grant bookkeepers must attach to the Omega reimbursement document, the related iSeries report, the payroll report, if applicable, and the expense vs. grant reconciliation reimbursement tracking report. Consistently throughout the year, School Board management will review the reconciliation reports for timeliness, completeness and accuracy of the reporting period dates.

COUNTY OF SPOTSYLVANIA, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

Federal Granting Agency/Recipient State Agency/Grant Program/Grant Number	Federal Catalogue Number	Agency or Pass-Through Number	Federal Expenditures
<i>U.S. DEPARTMENT OF AGRICULTURE:</i>			
Pass-Through Payments:			
State Department of Agriculture:			
National School Lunch Program	10.555	301	\$ 528,220
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	765	749,740
ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	765	43,573
<i>Sub total Supplemental Nutrition</i>			793,313
Department of Education:			
School Breakfast Program	10.553	197	800,930
National School Lunch Program	10.555	197	2,995,111
Total U.S. Department of Agriculture			\$ 5,117,574
<i>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</i>			
Direct Payments:			
Head Start	93.600	N/A	\$ 840,044
ARRA - Head Start	93.708	N/A	9,680
Pass-Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	765	34,826
Temporary Assistance for Needy Families	93.558	765	689,206
Refugee and Entrant Assistance - State Administered Programs	93.566	765	1,677
Low Income Home Energy Assistance	93.568	765	19,811
Child Care and Development Block Grant	93.575	765	264,512
Child Care Mandatory and Matching Funds of the Child Care and Development Funds	93.596	765	452,849
Chafee Education and Training Vouchers Program	93.599	765	14,980
Child Welfare Services - State Grants	93.645	765	2,004
Foster Care Title IV-E	93.658	765	622,572
ARRA - Foster Care Title IV-E	93.658	765	22,073
<i>Sub total Foster Care</i>			644,645
Adoption Assistance	93.659	765	186,067
ARRA - Adoption Assistance	93.659	765	9,490
<i>Sub total Adoption Assistance</i>			195,557
Social Services Block Grant	93.667	765	272,399
Chafee Foster Care Independence Program	93.674	765	10,281
ARRA - Child Care and Development Block Grant	93.713	765	36,970
Children's Health Insurance Program	93.767	765	20,880
Medical Assistance Program	93.778	765	437,062
Total U.S. Department of Health and Human Services			\$ 3,947,383

COUNTY OF SPOTSYLVANIA, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

Federal Granting Agency/Recipient State Agency/Grant Program/Grant Number	Federal Catalogue Number	Agency or Pass- Through Number	Federal Expenditures
<i>U.S. DEPARTMENT OF HOMELAND SECURITY</i>			
Direct Payments:			
Disaster Grants - Public Assistance	97.036	N/A	\$ 3,093
Assistance to Firefighters Grant	97.044	N/A	
State Homeland Security Program (SHSP)	97.073	N/A	50,000
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	N/A	76,846
Pass-Through Payments:			
Department of Emergency Management:			
Emergency Management Performance Grants	97.042	127	18,078
Total U.S. Department of Homeland Security			\$ 148,017
<i>U.S. DEPARTMENT OF EDUCATION:</i>			
Direct Payments:			
Impact Aid	84.041	N/A	\$ 332,329
Fund for the Improvement of Education	84.215	N/A	279,689
JROTC	99.900	N/A	154,772
Other Federal Funds (Build America Bond Subsidy)	99.999	N/A	125,300
Pass-Through Payments:			
Department of Education:			
Adult Education - Basic Grants to States	84.002	197	246,924
Title I - Grants to Local Educational Agencies	84.010	197	2,373,442
Title I - State Agency Program for Neglected and Delinquent	84.013	197	44,421
Special Education Grants to States	84.027	197	4,238,326
Career and Technical Education	84.048	197	253,228
Special Education - Preschool Grants	84.173	197	89,860
Safe and Drug-Free Schools and Communities - State Grants	84.186	197	(12,731)
Education Technology State Grants	84.318	197	14,073
English Language Acquisition Grants	84.365	197	117,777
Improving Teacher Quality State Grants	84.367	197	599,768
ARRA - Educational Technology State Grants, Recovery Act	84.386	197	28,852
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	197	775,212
ARRA - Special Education Grants to States, Recovery Act	84.391	197	2,916,892
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	197	97,248
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	197	3,203,603
Total U.S. Department of Education			\$ 15,878,985

COUNTY OF SPOTSYLVANIA, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

Federal Granting Agency/Recipient State Agency/Grant Program/Grant Number	Federal Catalogue Number	Agency or Pass-Through Number	Federal Expenditures
<i>U.S. DEPARTMENT OF JUSTICE:</i>			
Direct Payments:			
State Criminal Alien Assistance Program	16.606	N/A	\$ 7,260
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program (JAG) Program/Grants to States and Territories	16.804	N/A	24,125
Pass-Through Payments:			
Department of Criminal Justice Services			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	140	27,500
Crime Victim Assistance	16.575	140	76,867
ARRA - Violence Against Women Formula Grants	16.588	140	38,597
Bulletproof Vest Partnership Program	16.607	140	15,270
Total U.S. Department of Justice			<u>\$ 189,619</u>
<i>U.S. DEPARTMENT OF TRANSPORTATION:</i>			
Direct Payments:			
ARRA - Highway Planning and Construction	20.205	N/A	\$ 4,078,409
Pass-Through Payments:			
Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	154	66,846
Total U.S. Department of Transportation			<u>\$ 4,145,255</u>
<i>U.S. DEPARTMENT OF THE INTERIOR</i>			
Direct Payments:			
Save America's Treasures	15.929	N/A	\$ 2,667
Total U.S. Department of the Interior			<u>\$ 2,667</u>
<i>U.S. DEPARTMENT OF ENERGY</i>			
Direct Payments:			
ARRA - Energy, Efficiency and Conservation Block Grant Program	81.128	N/A	\$ 393,165
Total U.S. Department of Energy			<u>\$ 393,165</u>
			<u><u>\$ 29,822,665</u></u>

See notes to the schedule of expenditure of federal awards

COUNTY OF SPOTSYLVANIA, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Spotsylvania, Virginia and is presented on the accrual basis of accounting. 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 of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

B. COMMODITIES

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2011, the entity had food commodities totaling \$281,383 in inventory.