

COUNTY OF LOUDOUN, VIRGINIA

AUDIT OF FEDERAL AWARDS PROGRAMS

Year Ended June 30, 2013

And Report of Independent Auditor

COUNTY OF LOUDOUN, VIRGINIA
TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITOR ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* 1 - 2

REPORT OF INDEPENDENT AUDITOR ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR FEDERAL AWARDS PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS..... 3 - 5

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 6 - 9

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 10 -11

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS
PROGRAM 12 – 15

SCHEDULE OF PRIOR YEAR FINDINGS..... 16



REPORT OF INDEPENDENT AUDITOR ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Loudoun, Virginia (the "County"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 17, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However as described in the accompanying schedule of findings and questioned costs we identified a deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider deficiency 2013-1 described in the accompanying schedule of findings and questioned costs to be a material weakness.

Compliance and Other Matters

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

County's Response to Findings

The County's responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned. The County's responses were not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cherry Bekaert LLP". The signature is written in a cursive, flowing style.

Tysons Corner, Virginia
December 17, 2013



REPORT OF INDEPENDENT AUDITOR ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Loudoun County, Virginia's (the "County") 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 County's major federal programs for the year ended June 30, 2013. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the County, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2013-2. Our opinion on each major federal program is not modified with respect to this matter.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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. 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.

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

Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise County's basic financial statements. We issued our report thereon dated December 17, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Cherry Bekaert LLP

Tysons Corner, Virginia
December 17, 2013

**COUNTY OF LOUDOUN, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Federal Granting Agency/Recipient State Agency/Program Title</u>	<u>Federal Catalog Number</u>	<u>Total 2013 Federal Expenditures</u>
United States Office of National Drug Control Policy		
Pass through Payments:		
University of Maryland		
High Intensity Drug Trafficking Areas (HIDTA)	07.999	\$15,000
Total United States Office of National Drug Control Policy		\$15,000
United States Department of Agriculture:		
Pass through Payments:		
State Department of Agriculture:		
Food Distribution - Non-cash Commodities-National School Lunch Program	10.555	\$1,146,084
State Department of Education:		
School Breakfast Program	10.553	\$946,117
National School Lunch Program	10.555	\$5,080,670
Special Milk Program for Children	10.556	\$52,481
State Department of Juvenile Justice:		
National School Lunch Program	10.555	\$26,276
State Department of Social Services:		
State Administrative Matching Grants for Food Stamp Program	10.561	\$906,646
Total United States Department of Agriculture:		\$8,158,274
United States Department of Housing and Urban Development		
Direct Payments:		
Community Development Block Grant/Entitlement Grants	14.218	\$1,084,006
Supportive Housing Program - Transitional Housing Assistance	14.235	\$170,723
Section 8 Housing Choice Vouchers	14.871	\$7,616,578
Mainstream Vouchers	14.879	\$844,341
Pass through Payments:		
State Department of Housing & Community Development		
Community Development Block Grant	14.228	\$45,917
Total United States Department of Housing and Urban Development		\$9,761,565
United States Department of the Interior		
Direct Payments:		
Payment in Lieu of Taxes	15.226	\$6,050
Total United States Department of the Interior		\$6,050
United States Department of Justice		
Direct Payments:		
State Criminal Alien Assistance Program	16.606	\$205,415
Congressionally Recommended Awards	16.753	\$135,645
Equitable Sharing Program	16.922	\$27,190
Pass through Payments:		
State Department of Criminal Justice Services:		

Continued

**COUNTY OF LOUDOUN, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Federal Granting Agency/Recipient State Agency/Program Title</u>	<u>Federal Catalog Number</u>	<u>Total 2013 Federal Expenditures</u>
Juvenile Accountability Incentive Block Grant	16.523	\$11,285
Violence Against Women Formula Grants	16.588	\$23,241
Edward Byrne Memorial JAG	16.738	\$46,800
Total United States Department of Justice		\$449,576
United States Department of Transportation		
Pass through Payments:		
State Department of Motor Vehicles:		
State and Community Highway Safety	20.600	\$24,500
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grant	20.601	\$16,775
State Department of Transportation:		
Highway Planning and Construction	20.205	\$297,287
Total United States Department of Transportation		\$338,562
United States National Endowment for the Humanities		
Direct Payments:		
Promotion of the Humanities_Public Programs	45.164	\$82
Total United States National Endowment for the Humanities		\$82
United States Department of Environmental Protection Agency		
Pass Through Payments:		
National Fish and Wildlife Foundation		
Chesapeake Bay Program	66.466	\$34,535
Total United States Department of Environmental Protection Agency		\$34,535
United States Department of Energy		
Direct Payments:		
ARRA Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	\$21,430
Total United States Department of Energy		\$21,430
United States Department of Education		
Direct Payments:		
Impact Aid	84.041	\$199,958
Fund for Improvement of Education	84.215	\$370,373
Pass through Payments:		
State Department of Education:		
Adult Education-State Grant Program	84.002	\$149,782
Title I - Grants to Local Educational Agencies	84.010	\$1,393,210
Special Education - Grants to State	84.027	\$9,652,825
Vocational Education_Basic Grants to States	84.048	\$661,564
Special Education - Preschool	84.173	\$143,672
English Language Acquisition Grant	84.365	\$440,191
Title II Improving Teacher Quality State Grants	84.367	\$677,474
ARRA Education Jobs Fund	84.410	\$148,447
State Department of Mental Health and Mental Retardation:		

Continued

**COUNTY OF LOUDOUN, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Federal Granting Agency/Recipient State Agency/Program Title</u>	<u>Federal Catalog Number</u>	<u>Total 2013 Federal Expenditures</u>
Special Education_Grants for Infants and Families with Disabilities	84.181	\$263,355
Total United States Department of Education		\$14,100,861
United States Department of Health and Human Services		
Direct Payments:		
Head Start	93.600	\$790,978
Pass through Payments:		
National Association of County and City Health Officials		
Medical Reserve Corps Small Grant Program	93.008	\$7,121
State Board of Elections		
Voting Access for Individuals with Disabilities_Grants to States	93.617	\$20,200
State Department for the Aging:		
Special Programs for the Aging Title VII Chapter 3	93.041	\$815
Special Programs for the Aging-Title III, Part D	93.043	\$7,453
Special Programs for the Aging-Title III, Parts B	93.044	\$77,762
Special Program for the Aging_Title III, Part C-Nutrition Services	93.045	\$118,338
Special Programs for the Aging-Title IV and Title II_Discretionary Projects	93.048	\$14,946
National Family Caregiver Support	93.052	\$28,688
Nutrition Services Incentive Program	93.053	\$72,386
Affordable Care Act-Medicare Improvements for Patients and Providers	93.518	\$3,000
Centers for Medicare and Medicaid Services Research, Demonstrations and Evaluations	93.779	\$24,311
State Department of Mental Health and Mental Retardation:		
Projects for Assistance in Transition from Homeless (PATH)	93.150	\$51,638
Block Grants for Community Mental Health Services	93.958	\$25,579
Block Grant for Prevention and Treatment of Substance Abuse	93.959	\$388,571
State Department of Social Services:		
Promoting Safe and Stable Families	93.556	\$43,155
Temporary Assistance for Needy Families	93.558	\$734,279
Refugee and Entrant Assistance State Administered Program	93.566	\$39,325
Low-Income Home Energy Assistance	93.568	\$35,958
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	\$88,373
Chafee Education and Training Vouchers Program	93.599	\$5,715
Child Welfare Services State Grants	93.645	\$2,382
Foster Care-Title IV-E	93.658	\$788,008
Adoption Assistance	93.659	\$301,666
Social Services Block Grant	93.667	\$381,621
Chafee Foster Care Independence Program	93.674	\$11,016
State Children's Insurance Program	93.767	\$17,422
Medicaid Assistance Program	93.778	\$558,222
Total United States Department of Health and Human Services		\$4,638,928
United States Department of Homeland Security		
Direct Payments:		
Assistance to Firefighters Grant	97.044	\$77,523
Cooperating Technical Partners	97.045	\$431,383
Pass through Payments:		

Continued

**COUNTY OF LOUDOUN, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Federal Granting Agency/Recipient State Agency/Program Title</u>	<u>Federal Catalog Number</u>	<u>Total 2013 Federal Expenditures</u>
County of Fairfax, Virginia		
Homeland Security Grant Program	97.067	\$200,822
Government of The District of Columbia		
Homeland Security Grant Program	97.067	\$240,588
Northern Virginia Regional Commission		
Homeland Security Grant Program	97.067	\$114,816
State Department of Emergency Services		
Disaster Grants-Public Assistance	97.036	\$11,894
Emergency Management Performance Grants	97.042	\$319
Homeland Security Grant Program	97.073	\$886
Total United States Department of Homeland Security		\$1,078,231
Total Expenditures of Federal Awards		\$38,603,084

See Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF LOUDOUN, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The accompanying schedule of expenditures of federal awards (the Schedule) includes the activity of all federal award programs administered by the County of Loudoun, Virginia (the County), and its component unit, the Loudoun County Public Schools. The County's reporting entity is defined in note 1(a) of the County's basic financial statements.

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

(b) Basis of Presentation

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

(c) Basis of Accounting

The Schedule has been prepared on the modified accrual basis of accounting as defined in note 1(c) of the County's basic financial statements.

(d) Matching Costs

Matching costs, the nonfederal share of certain program costs, are not included in the Schedule.

(2) Relationship to Federal Financial Reports

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

(3) Noncash and Other Programs

- A) The County received \$114,816 pass-through property sub-awards under the Homeland Security Grant Program (CFDA 97.067) for the year ended June 30, 2013. Such amounts are reflected in the accompanying Schedule and in the basic financial statements.
- B) The Community Development Block Grant/Entitlement (CDBG) (CFDA 14.218) is granted by U.S. Department of Housing and Urban Development (HUD) to develop viable urban communities by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for persons of low and moderate income. The Loudoun County Home Improvement Program (LCHIP), which funded by CDBG, provides loans and grants to income eligible homeowners to rehabilitate their homes. For the year ended June 30, 2013, Loudoun County provided \$65,321 from the repayment fund to the program recipients.

COUNTY OF LOUDOUN, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

(4) Amounts Passed-Through to Subrecipients

Grant proceeds in the amount of \$131,706 were passed through to subrecipients for Congressionally Recommended Awards (CFDA 16.753) for the year ended June 30, 2013. It was not practicable to determine amounts passed through to subrecipients for all programs.

(5) Total By Program

Federal programs are awarded to the County either directly by a federal agency or through a pass-through entity. Some programs are received both directly and through a pass-through entity and some are received through multiple pass-through entities. The following programs, reported in multiple line items in the accompanying Schedule, are totaled here:

Program	Federal Catalog Number	Expenditure
National School Lunch Program	10.555	\$6, 253,030
Homeland Security Grant Program	97.067	\$556,226

LOUDOUN COUNTY, VIRGINIA
Schedule of Findings and Questioned Costs –
Federal Awards Programs
For the fiscal year ended June 30, 2013

Part I – Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 x yes no

Significant deficiency(ies) identified not
considered to be material weakness(es)?

 yes x none reported

Noncompliance material to financial
statements noted

 yes x no

Federal Awards Section

Internal control over major programs:

Material weakness(es) identified?

 yes x no

Significant deficiency(ies) identified not
considered to be material weakness(es)?

 yes x none reported

Type of auditor's report on compliance for
major programs:

Unmodified

Any audit findings disclosed that are
required to be reported in accordance with
section 510 (a) of OMB Circular A-133?

 x yes no

LOUDOUN COUNTY, VIRGINIA
Schedule of Findings and Questioned Costs –
Federal Awards Programs
For the fiscal year ended June 30, 2013

Part I – Summary of Auditor's Results (continued)

Identification of the Major Federal Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Block Grant – Entitlements Cluster
14.871 and 14.879	Housing Voucher Cluster
84.027 and 84.173	Special Education Cluster (IDEA)

Dollar threshold used to distinguish type A and type B programs \$ 1,158,093

Auditee qualified as low-risk auditee _____ yes _____ ☒ no

LOUDOUN COUNTY, VIRGINIA
Schedule of Findings and Questioned Costs –
Federal Awards Programs
For the fiscal year ended June 30, 2013

Part II – Schedule of Financial Statement Findings

2013-1: Sheriff's Office Segregation of Duties – Material Weakness

Criteria: A fundamental element of proper internal controls is the adequate segregation of certain key duties. An adequate segregation of duties reduces the likelihood that errors (intentional or unintentional) or fraud will go undetected by providing for separate processing by different individuals at various stages in a transaction cycle and for independent reviews of the work performed.

Condition: Certain key duties were not properly segregated related to the reporting and deposit of seized cash at the Sheriff's office. A detective within the Sheriff's office had access to the receipt of seized cash, the reporting of seized cash, and the depositing of seized cash. Also, there was no reconciliation of the cash seized by deputies to the cash deposited by the detective.

Cause: Lack of segregation of duties allowed the same employee to collect, report and deposit seized cash. Controls were not designed to prevent or detect the possible misappropriation of cash by the detective handling seized funds.

Effect: The lack of a proper segregation of duties allowed for a detective at the Sheriff's office to receive, process, and deposit seized cash without further reconciliation by someone independent of the seized cash process.

Recommendation: We recommend the Sheriff's office review its procedures for the seizure of cash to ensure that there is a proper segregation of duties related to the seizure of cash to ensure that no one individual has the ability to receive, process, and deposit seized cash without further reconciliation or review.

View of Responsible Officials and Planned Corrective Action: The Sheriff's office of the County concurs with the finding and has implemented new procedures surrounding the seized cash. Deputies turning in seized funds are also required to email a copy of the seized funds report to a general email that includes the accountant and 4 supervisory personnel. Two employees, one of whom must be a supervisor, are required to be present when taking seized funds to the bank for deposit. Certified deposit slip is sent to the same general email box for reconciliation by the accountant to the seized funds form.

LOUDOUN COUNTY, VIRGINIA
Schedule of Findings and Questioned Costs –
Federal Awards Programs
For the fiscal year ended June 30, 2013

Part III – Federal Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs, as well as any material abuse findings, related to the audit of major federal programs, as required to be reported by Section 510(a) of OMB Circular A-133.

2013-2: Internal Controls over Single Audit Reimbursements- Allowable Costs

Criteria: Per OMB March 2013 Compliance Supplement for CFDA 84.027 & CFDA 84.173, Allowable costs under these grants are: an LEA may only use Federal funds under IDEA, Part B for the excess costs of providing special education and related services to children with disabilities. Special education includes specially designed instruction to meet the unique needs of a child with a disability, including instruction conducted in the classroom, in the home, in hospitals and institutions and in other settings, and instruction and physical education. Related services include transportation and such developmental, corrective and other supportive services as may be required to assist with a disability to benefit from special education. Per OMB compliance supplement, supporting documentation must be reviewed for all allowable costs to ensure the costs for which the reimbursement was requested were paid prior to the date of the reimbursement request.

Condition: During Single Audit testing of the Special Education grant, CB noted that the County of Loudoun was charging fees to the Special Education Grant (award number - H027A110107). Per correspondence with the Director of Special Education, these charges were associated with the IEP software maintenance and modification project. The Director of Special Education informed CB that the schools relied on the County for IT maintenance surrounding the Phoenix software used for special education. The Phoenix system handles the special education process for evaluation, eligibility, and the Individualized Education Programs (IEP) for students with disabilities. It provides a mechanism to complete the IEP process electronically rather than by paper. Therefore, the maintenance of the Phoenix System is an allowable cost since it is a supportive service of special education. Per the Director of Special Education, The County IT department has been charging hours associated with the maintenance of the system to the grant. However, neither the school nor the County has been able to provide any support for the valuation of the charges for the maintenance of the Phoenix system.

Cause: While LCPS had knowledge of the nature and purpose of these charges, they did not obtain documentation supporting the valuation of the charges.

Questioned Costs: No questioned costs were identified as a result of this finding.

Effect: While the IT maintenance of the Phoenix software is an allowable cost under the OMB compliance supplement, there is no support on the school or county side of the actual valuation of the charges.

Recommendation: The Director of Special Education needs to obtain support from the County to validate the valuation of the IT maintenance charges to the grant.

Management's Response: Management agrees that proper documentation supporting the valuation of the charges for personnel was not received from the County of Loudoun. Management previously relied on the County's DIT to provide support, but now has its' own support as a part of AIT/DTS for the Phoenix system. In the future, all documentation for personnel charges will be internal to LCPS and therefore, available for supporting documentation.

Loudoun County, Virginia
Summary Schedule of Prior Audit Findings and Corrective Action Plan
Federal Awards Programs
For the fiscal year ended June 30, 2013

Prior Year Audit Findings

2012-1: Component Unit – Schools Internal control over Financial Reporting – Capital Assets

Criteria: In order to prepare financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), assets need to be placed in service at the time they are ready for use.

Condition: Internal control procedures did not properly identify when a building was placed in service.

Corrective action was taken.

2012-2: Component Unit – Schools Internal control over Financial Reporting – Accounts Payable

Criteria: In order to prepare financial statements in accordance with GAAP, all known liabilities existing at year end should be included in the financial statements.

Condition: Internal control procedures did not identify three invoices that should have been included in accounts payable.

Corrective action was taken.

Corrective Action Plan

See management's response to the current year findings for management's corrective action plan.