

COUNTY OF LOUDOUN, VIRGINIA

COMPLIANCE REPORTS

For the Year Ended June 30, 2017

And Reports of Independent Auditor

COUNTY OF LOUDOUN, VIRGINIA
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COMPLIANCE REPORTS

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**Report of Independent Auditor on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, 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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 28, 2017. That report included an emphasis paragraph indicating that the net position of the governmental activities and the fund balance of the nonmajor governmental funds, as of June 30, 2016, have been restated. That report recognizes that the County implemented one new accounting standard effective July 1, 2016.

Internal Control over Financial Reporting

In connection with our engagement to audit the financial statements of the County, 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 certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2017-001 to be a material weakness.

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 the deficiency described in the accompanying schedule of findings and questioned costs as item 2017-002 to be a significant deficiency.

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 Responses to Findings

The County's responses to the findings identified in our audit are described accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of the 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Cheryl Behrman CP". The signature is written in a cursive style.

Tysons Corner, Virginia
November 28, 2017

Report of Independent Auditor on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited the County of Loudoun, Virginia's (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance 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.

Basis for Qualified Opinion on Medical Assistance Program

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding CFDA 93.778 Medical Assistance Program as described in finding number 2017-003 regarding eligibility. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on Medical Assistance Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion on Medical Assistance Program paragraph, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medical Assistance Program for the year ended June 30, 2017.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2017.

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

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-003, which we consider to be a material weakness.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated November 28, 2017, 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 County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance 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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Cheryl Behrman CPA". The signature is written in a cursive, flowing style.

Tysons Corner, Virginia
November 30, 2017

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns* (the "Specifications"), issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Loudoun, Virginia (the "County"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 28, 2017.

Compliance and Other Matters

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

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

<u>Code of Virginia</u>		<u>State Agency Requirements</u>
Budget and Appropriation Laws	Procurement	Education
Cash and Investments	Unclaimed Property	Children's Services Act Funds
Conflicts of Interest	Property Taxes	Social Services
Debt Provisions		
Economic Development Opportunity Fund		
Intergovernmental Revenues and Agreements		

The results of our tests disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the Specifications, and which are described in the accompanying schedule of findings and questioned costs as items 2017-004 through 2017-007.

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

Purpose of this Report

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



Tysons Corner, Virginia
November 30, 2017

COUNTY OF LOUDOUN, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2017

<u>Federal Granting Agency/Recipient State Agency/Program Title</u>	<u>Federal Catalog Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Total 2017 Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
United States Department of Agriculture				
Direct Payments				
Farm To School Grant Program	10.575		\$ 31,594	\$ -
USDA Grant - Equipment	10.579		6,564	-
Pass through Payments				
Virginia Department of Agriculture				
Food Distribution - Non-cash Commodities-National School Lunch Program	10.555	Not Available	1,368,946	-
Virginia Department of Education				
School Breakfast Program	10.553	Not Available	1,512,638	-
National School Lunch Program	10.555	Not Available	6,849,471	-
Virginia Department of Juvenile Justice				
National School Lunch Program	10.555	Not Available	21,286	-
Virginia Department of Social Services				
State Administrative Matching Grants for Food Stamp Program	10.561	Not Available	1,781,362	-
Total United States Department of Agriculture			11,571,861	-

See Notes to Schedule of Expenditures of Federal Awards.

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

FOR THE YEAR ENDED JUNE 30, 2017

<u>Federal Granting Agency/Recipient State Agency/Program Title</u>	<u>Federal Catalog Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Total 2017 Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
United States Department of Housing And Urban Development				
Direct Payments				
Community Developmentaleopment Block Grant/Entitlement Grants	14.218		1,137,339	799,068
Supportive Housing Program - Transitional Housing Assistance	14.235		132,840	-
Continuum of Care Program	14.267		23,438	-
Section 8 Housing Choice Vouchers	14.871		7,220,393	-
Mainstream Vouchers	14.879		913,360	-
Family Self-Sufficiency Program	14.896		67,326	-
Total United States Department of Housing and Urban Development			9,494,696	799,068
United States Department of The Interior				
Direct Payments				
Payment in Lieu of Taxes	15.226		3,292	-
American Battlefield Protection-ABPP Planning Grants	15.926		9,307	-
Pass through Payments				
Virginia Department of Historic Resources				
Historic Preservation Fund Grant-In-Aid	15.904	2015-16 CLG	12,026	-
Total United States Department of The Interior			24,625	-

See Notes to Schedule of Expenditures of Federal Awards.

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

FOR THE YEAR ENDED JUNE 30, 2017

<u>Federal Granting Agency/Recipient State Agency/Program Title</u>	<u>Federal Catalog Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Total 2017 Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
United States Department of Justice				
Direct Payments				
State Criminal Alien Assistance Program	16.606		84,026	-
Pass through Payments				
Virginia Department of Criminal Justice Services				
Juvenile Justice and Delinquency Prevention Title II	16.540	17-A3395JJ13	72,666	-
Edward Byrne Memorial JAG	16.738	17-A4041AD15	8,838	-
Total United States Department of Justice			165,530	-
United States Department of Transportation				
Direct Payments				
Transportation Infrastructure Finance and Innovation Act Program	20.223		104,913,051	-
Pass through Payments				
Virginia Department of Motor Vehicles				
State and Community Highway Safety	20.600	SC-2016-56010-6210 SC-2017-57022-6671	24,408	-
Alcohol Open Container Requirement	20.607	154AL-2016-56004-6204 154-AL-2017-57021-6670	37,900	-
Virginia Department of Transportation				
Safe Routes to School-Federal thru State	20.205	UPC109873	334,335	-
Highway Planning and Construction	20.205	UPC93273 UPC79679 UPC99481 UPC78240 UPC56454	9,796,787	-
Total United States Department of Transportation			115,106,481	-

See Notes to Schedule of Expenditures of Federal Awards.

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

FOR THE YEAR ENDED JUNE 30, 2017

<u>Federal Granting Agency/Recipient State Agency/Program Title</u>	<u>Federal Catalog Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Total 2017 Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
United States Department of Education				
Direct Payments				
Impact Aid	84.041		210,228	-
Pass through Payments				
Virginia Department of Behavioral Health And Developmental Services				
Special Education_Grants for Infants and Families with Disabilities	84.181	Not Available	426,144	-
Virginia Department of Education				
Title I-State Agency Program for Neglected & Delinquent Children	84.013	Not Available	42,985	-
Advanced Placment	84.333	Not Available	41,800	-
Adult Education-State Grant Program	84.002	Not Available	144,540	-
Title I - Grants to Local Educational Agencies	84.010	Not Available	2,095,171	-
Special Education - Grants to State	84.027	Not Available	9,521,021	-
Vocational Education_Basic Grants to States	84.048	Not Available	544,088	-
Special Education - Preschool	84.173	Not Available	139,405	-
English Language Acquisition Grant	84.365	Not Available	884,624	-
Title II Improving Teacher Quality State Grants	84.367	Not Available	490,674	-
Total United States Department of Education			14,540,680	-

See Notes to Schedule of Expenditures of Federal Awards.

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

FOR THE YEAR ENDED JUNE 30, 2017

<u>Federal Granting Agency/Recipient State Agency/Program Title</u>	<u>Federal Catalog Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Total 2017 Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
United States Department of Health and Human Services				
Direct Payments				
Head Start	93.600		904,413	-
Pass through Payments				
County of Fairfax				
Child Care and Developmentalelopment Block Grant	93.575	Not Available	31,800	-
Chronic Disease Self-Management Education Program	93.734	Not Available	2,289	-
National Association of County And City				
Medical Reserve Corps Small Grant Program	93.008	MRC 16-0165C	10,894	-
Virginia Department For Aging And Rehab Services				
Special Programs for the Aging Title VII Chapter 3	93.041	Not Available	1,140	-
Special Programs for the Aging-Title III, Part D	93.043	Not Available	9,471	-
Special Programs for the Aging-Title III, Parts B	93.044	Not Available	102,748	-
Special Program for the Aging_Title III, Part C-Nutrition Services	93.045	Not Available	143,658	-
National Family Caregiver Support	93.052	Not Available	39,124	-
Nutrition Services Incentive Program	93.053	Not Available	83,532	-
Medicare Enrollment Assistance Program	93.071	Not Available	12,438	-
State Health Insurance Assistance Program	93.324	Not Available	37,520	-
Affordable Care Act State Health Insurance Assistance Program	93.626	Not Available	2,478	-
Virginia Department of Behavioral Health And Developmental Services				
Projects for Assistance in Transition from Homeless (PATH)	93.150	Not Available	50,392	-
Projects of Regional and National Significance	93.243	Not Available	72,330	-
Block Grants for Community Mental Health Services	93.958	Not Available	258,211	-
Block Grant for Prevention and Treatment of Substance Abuse	93.959	Not Available	398,882	-

See Notes to Schedule of Expenditures of Federal Awards.

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

FOR THE YEAR ENDED JUNE 30, 2017

<u>Federal Granting Agency/Recipient State Agency/Program Title</u>	<u>Federal Catalog Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Total 2017 Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
Virginia Department of Social Services				
Promoting Safe and Stable Families	93.556	Not Available	95,366	-
Temporary Assistance for Needy Families	93.558	Not Available	640,940	-
Refugee and Entrant Assistance State Administered Program	93.566	Not Available	49,857	-
Low-Income Home Energy Assistance	93.568	Not Available	43,066	-
Child Care Mandatory and Matching Funds of the Child Care and Developmentalelopment Fund	93.596	Not Available	94,559	-
Chafee Education and Training Vouchers Program	93.599	Not Available	930	-
Adoption Incentive Payments	93.603	Not Available	445	-
Child Welfare Services State Grants	93.645	Not Available	1,359	-
Foster Care-Title IV-E	93.658	Not Available	923,195	-
Adoption Assistance	93.659	Not Available	448,205	-
Social Services Block Grant	93.667	Not Available	500,783	-
Chafee Foster Care Independence Program	93.674	Not Available	11,578	-
State Children's Insurance Program	93.767	Not Available	65,161	-
Medicaid Assistance Program	93.778	Not Available	2,182,995	-
Total United States Department of Health And Human Services			7,219,759	-
United States office of National Drug Control Policy				
Pass through Payments				
Mercyhurst University				
High Intensity Drug Trafficking Areas (HIDTA)	95.001	G16WB0004A G17WB0004A	13,680	-
Total United States office of National Drug Control Policy			13,680	-

See Notes to Schedule of Expenditures of Federal Awards.

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

FOR THE YEAR ENDED JUNE 30, 2017

<u>Federal Granting Agency/Recipient State Agency/Program Title</u>	<u>Federal Catalog Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Total 2017 Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
United States Department of Homeland Security				
Direct Payments				
Assistance to Firefighters Grant	97.044		2,000,000	-
Cooperating Technical Partners	97.045		34,119	-
Pass through Payments				
Government of The District of Columbia				
Homeland Security Grant Program	97.067	15UASI876-01 15UASI876-02 15UASI876-04 16UASI876-01 16UASI876-02 16UASI876-04	168,339	-
Metropolitan Washington Council of Governments				
Homeland Security Grant Program	97.067	Not Available	442,766	-
Total United States Department of Homeland Security			<u>2,645,224</u>	<u>-</u>
Total Expenditures of Federal Awards			<u><u>\$ 160,782,536</u></u>	<u><u>\$ 799,068</u></u>

See Notes to Schedule of Expenditures of Federal Awards.

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

FOR THE YEAR ENDED JUNE 30, 2017

TOTALS BY CLUSTER

<u>Program</u>	<u>Federal Catalog Number</u>	<u>Total 2017 Federal Expenditures</u>
School Breakfast Program	10.553	\$ 1,512,638
National School Lunch Program	10.555	8,239,703
Total for Child Nutrition Cluster		\$ 9,752,341
Section 8 Housing Choice Vouchers	14.871	\$ 7,220,393
Mainstream Vouchers	14.879	913,360
Total for Housing Choice Voucher Cluster		\$ 8,133,753
Special Education - Grants to State	84.027	\$ 9,521,021
Special Education - Preschool	84.173	139,405
Total for Special Education Cluster		\$ 9,660,426
Special Programs for the Aging-Title III, Part D	93.044	\$ 102,748
Special Programs for the Aging-Title III, Part B	93.045	143,658
Special Programs for the Aging-Title III, Part C	93.053	83,532
Total for Aging Cluster		\$ 329,938
Child Care and Development Block Grant	93.575	\$ 31,800
Child Care Mandatory and Matching Funds of the CCDF	93.596	94,559
Total for CCDF Cluster		\$ 126,359

See Notes to Schedule of Expenditures of Federal Awards.

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

FOR THE YEAR ENDED JUNE 30, 2017

TOTALS BY PROGRAM

<u>Pass-through Agency</u>	<u>Program</u>	<u>Federal Catalog Number</u>	<u>Total 2017 Federal Expenditures</u>
Virginia Department of Agriculture		10.555	\$ 1,368,946
Virginia Department of Education		10.555	6,849,471
Virginia Department of Juvenile Justice		10.555	21,286
Total for National School Lunch Program (10.555)			\$ 8,239,703
Safe Routes to School-Federal thru State		20.205	\$ 334,335
Highway Planning and Construction		20.205	9,796,787
Total for Highway Planning and Construction (20.205)			\$ 10,131,122
Government of The District of Columbia		97.067	\$ 168,339
Metropolitan Washington Council of Governments		97.067	442,766
Total for Homeland Security Grant Program (97.067)			\$ 611,105

COUNTY OF LOUDOUN, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2017

Note 1—Summary of significant accounting policies

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

Basis of Presentation - The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Federal award program titles are reported as presented in the Catalog of Federal Domestic Assistance ("CFDA") in effect for the year in which the award was granted.

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

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

The County has not elected to use the 10% de minimis cost rate allowed under the Uniform Guidance.

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

Note 2—Relationship to federal financial reports

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

Note 3—Noncash and other programs

- (a) The County received \$442,766 pass-through property sub-awards under the Homeland Security Grant Program (CFDA 97.067) for the year ended June 30, 2017. 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, which is funded by CDBG, provides loans and grants to income eligible homeowners to rehabilitate their homes. For the year ended June 30, 2017, Loudoun County provided \$17,316 from the repayment fund to the program recipients.
- (c) The Section 8 Housing Choice Vouchers program (CFDA 14.871) is granted by HUD to aid low income families in obtaining decent, safe, and sanitary rental housing. For the year ended June 30, 2017, \$3,129 from program income was provided to clients.
- (d) The Mainstream Vouchers program (CFDA 14.879) is granted by HUD to aid persons with disabilities in obtaining decent, safe, and sanitary rental housing. For the year ended June 30, 2017, \$682 from program income was provided to clients.

COUNTY OF LOUDOUN, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2017

Note 3—Noncash and other programs (continued)

- (e) On December 9, 2014, the County and the Economic Development Authority entered into a Transportation Infrastructure Finance and Innovation Act ("TIFIA") loan agreement under CFDA 20.223 with the U.S. Department of Transportation. This loan will be used to finance the County's proportionate share (4.8%) of the costs of construction to extend the Washington Metropolitan Area Transit Authority's mass transit system into the County, not to exceed \$195.1 million. The outstanding balance of the loan as of June 30, 2017 is \$104,913,051.

COUNTY OF LOUDOUN, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2017

(1) Summary of Auditor's Results

- a. The type of report issued on the financial statements: **Unmodified**
- b. Significant deficiencies in internal control disclosed by the audit of the financial statements: **Yes, 2017-002**
- c. Material weakness in internal control disclosed by the audit of the financial statements: **Yes, 2017-001**
- d. Noncompliance which is material to the financial statements: **No**
- e. Significant deficiencies in internal control over major programs: **None reported**
- f. Material weakness in internal control over major programs: **Yes, 2017-003**
- g. The type of report issued on compliance for major programs: **Qualified** for Medical Assistance Program (CFDA Number 93.778); **Unmodified** for other major programs
- h. Any audit findings which are required to be reported under Section 200.516(a) of the Uniform Guidance: **Yes**
- i. Major programs:
 - SNAP Cluster (CFDA Number 10.561)
 - Child Nutrition Cluster (CFDA Numbers 10.553 and 10.555)
 - Transportation Infrastructure Finance and Innovation Act (TIFIA) Program (CFDA Number 20.223)
 - Medical Assistance Program (CFDA Number 93.778)
 - Assistance to Firefighters Grant (CFDA Number 97.044)
- j. Dollar threshold used to distinguish between Type A and Type B programs: **\$1,676,085**
- k. Auditee qualified as low-risk auditee: **No**

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

2017-001: Material Weakness - Internal Control over Financial Reporting

Criteria: In order to prepare financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), intergovernmental revenues should be recognized only upon satisfaction of all conditions and eligibility requirements.

Condition: The County has been recognizing revenue and reporting a restricted asset in the Transportation District Fund (a nonmajor governmental fund) upon collection of gas taxes by the Northern Virginia Transportation Commission (NVTC). The NVTC's function is to hold such gas taxes in trust for the County and to release funds only upon request and certification by the County that eligible expenditures consistent with the County's adopted transportation plan have been incurred.

Cause: Internal controls were not properly designed to ensure intergovernmental revenues were recognized in accordance with GAAP.

COUNTY OF LOUDOUN, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2017

Effect: The net position of the governmental activities and fund balance of the nonmajor governmental funds were overstated by \$17,569,319 as of June 30, 2016. The County restated the net position of the governmental activities and fund balance of the nonmajor governmental funds as of June 30, 2016 to correct the effects of errors reported in previously issued financial statements.

Recommendation: We recommend intergovernmental revenue arrangements be reviewed at inception to ensure revenue recognition is in accordance with GAAP.

Views of Responsible Officials and Planned Corrective Action:

Responsible Person: Lisa Cockrell, Interim Controller

Estimated Completion: November 30, 2017

Corrected Action: Management has made the required entries to restate the beginning net position of the governmental activities and the beginning fund balance of the non-major governmental funds as of July 1, 2016. Going forward, any and all intergovernmental revenue arrangements will be reviewed at inception to ensure revenue recognition in accordance with GAAP.

2017-002: Significant Deficiency - Internal Control over Financial Reporting

Criteria: In order to prepare financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) and free of material misstatement, internal controls over the financial close process must be appropriately designed to prevent or promptly detect and correct misstatements.

Condition: As part of the year-end close process, approximately \$25 million of cash received in the month of July was recorded in the month of June. The postings to cash were identified on the County's June 2017 bank reconciliation as deposits in transit and were acknowledged to have not cleared until up to July 31, 2017.

Cause: While the County Treasurer identified the deposits in transit on the June 2017 bank reconciliation as not clearing until late July 2017, a miscommunication between the Treasurer's Office and Financial Services resulted in corrective action not being taken to reclassify the deposits in transit to receivables as of June 30, 2017 in a timely manner.

Effect: Cash was overstated and receivables were understated by approximately \$25 million as of June 30, 2017.

Recommendation: We recommend internal controls over the year-end close and bank reconciliation process be improved to prevent or promptly detect and correct any such errors.

Views of Responsible Officials and Planned Corrective Action:

Responsible Person: Kate Tidgewell, Chief Deputy Treasurer & Lisa Cockrell, Interim Controller

Estimated Completion: March 31, 2018

COUNTY OF LOUDOUN, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2017

Corrected Action: Management understands that cash was overstated and receivables were understated by \$25,006,936.11 and reclassified the transactions prior to issuance of the financial statements to ensure the statements are in accordance with GAAP and free of material misstatement. Although clarification was requested on the posting of the transactions in question, the miscommunication noted above caused confusion on which date to use for an invoice and a receipt within the accounts receivable sub-ledger. Year-end procedures will be updated to clearly define proper use of receipt dates, invoice dates and GL dates and immediate training will be provided to all staff on the proper use of dates to ensure posting in the correct fiscal period. In addition, a review of accrued receivables will take place after the sub-ledger close and after the final bank reconciliation is completed, but before fund statements are submitted to ensure the accuracy of receivables recorded in the general ledger at year-end.

(3) Findings and Questioned Costs Relating to Federal Awards

2017-003: Material Weakness and Compliance Qualification – Eligibility (Repeat Finding – 2016-001)

Program: Medical Assistance Program (CFDA Number 93.778 – U.S. Department of Health and Human Services – Virginia Department of Social Services; Federal Award Number: not available; Federal Award Year: 2017)

Condition: As of June 2017, the County had over 246 Medicaid participants (150 cases) whose eligibility redeterminations were past due (i.e., eligibility had not been verified within the last twelve months)

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

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

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

Questioned Cost: Undeterminable.

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

Views of Responsible Officials and Planned Corrective Action:

Responsible Person: Chris Slagle, Program Manager

Estimated Completion: As of October 2017, the agency's timeliness rate for processing redeterminations is 99.28%, exceeding the state expectation of 97%

COUNTY OF LOUDOUN, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2017

Corrected Action: With the implementation of the new Medicaid Eligibility system, VaCMS (Virginia Case Management System), the ability to complete reviews timely has improved. Both Families and Childrens and Adult Medicaid cases are now in the VaCMS system. This system not only allows for a more streamlined eligibility process, but also set alerts to the worker assigned to each case to remind them when a redetermination is required. The new system will have the capability to verify income of recipients, and has recently allowed for verification of resources through VaCMS, which reduces the time it takes to process a redetermination. The system also recently added the functionality to complete "exparte" redeterminations, where the system automatically runs eligibility for cases where the income has not changed from the previous year, and matches the income verification with the federal HUB. Though few meet this criteria, it does reduce the number of redeterminations that are required to be completed by workers.

Medicaid review lists are now disseminated to staff on a weekly basis to ensure workers know which redeterminations need to be completed. These lists also identify any redeterminations that were completed, but did not bridge to the eligibility system that need immediate attention. The unit is currently almost fully staffed, with only one vacancy for eligibility workers, which has improved timeliness significantly. Please note that the number of overdue redeterminations have decreased by 80% since June 2016 (777 overdue in June 2016), and by 97% since June 2015 (5,051 in June 2015). The current timeliness rate is 99.28%.

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

2017-004: Non-material Noncompliance – Statement of Economic Interests (Repeat Finding – 2016-002)

Condition: Two (2) of the fourteen (14) officials did not accurately complete the filed Statement of Economic Interest (SOEI). One (1) of the seventeen (17) officials did not file a Real Estate Disclosure form prior to assuming office.

Criteria: Section 2.2-3115 of the *Code of Virginia* requires local officials to file a SOEI and Real Estate Disclosure form with the clerk of the governing body by January 15th or prior to assuming office or taking employment to disclose personal financial interests that may cause conflicts.

Cause: Lack of controls over the SOEI and Real Estate Disclosure forms to verify that all statements are filed and are completed accurately.

Effect: Noncompliance may result in action by the Commonwealth.

Questioned Cost: Non-financial finding.

Recommendation: Local government officials should complete the SOEI and Real Estate Disclosure forms in accordance with prescribed requirements.

Views of Responsible Officials and Planned Corrective Action:

Responsible Person: Leo Rogers, County Attorney

Estimated Completion: January 1, 2018

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

COUNTY OF LOUDOUN, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2017

2017-005: Non-material Noncompliance – Social Service Computer Access Request Forms (Repeat Finding of 2016-005)

Condition: Eight (8) of seventeen (17) Social Service workers did not have current/updated Computer Access Request Forms on file.

Criteria: Per Section 3-15 of the *Specifications for Audits of Counties, Cities, and Towns*, published by the Commonwealth of Virginia's Auditor of Public Accounts, Counties are responsible for reviewing local users with access to each application to determine if they have a current access request form on file and if the access in the system matches each application on the form.

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

Effect: Noncompliance may result in action by the Commonwealth.

Questioned Cost: Non-financial finding.

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

Views of Responsible Officials and Planned Corrective Action:

Responsible Person: Don Burgess, Primary Local Security Officer and Allison Tibbs-Foster, Backup Security Officer

Estimated Completion: June 30, 2018

Corrected Action: The primary LSO has developed a new online electronic system that will automate processes and ensure timely completion of the Annual Access Review Policy. The LSO and Supervisor will complete the form electronically for the June 2018 review period; however, the system has a January 2018 start date. The current 'User Access Review form' will change. The new form will only list the specific application the staff has access to. This will eliminate changes and/or additions to application without submitting the required paperwork. In addition, the primary LSO will request quarterly systems reports from VDSS which will be compared to the systems access forms in staff files. The new system will generate reports and eliminate random system access changes by supervisors.

2017-006: Non-material Noncompliance – Social Services' System Access

Condition: One (1) of five (5) newly employed Social Services' employees did not receive the required initial training for the Virginia Department of Social Services ("VDSS") State System access within 30 days of hire.

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

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

Effect: Non-compliance may result in unauthorized individuals having system access.

Questioned Cost: Non-financial finding.

COUNTY OF LOUDOUN, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2017

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

Views of Responsible Officials and Planned Corrective Action:

Responsible Person: Don Burgess, Local Security Office, Loudoun County Department of Family Services

Estimated Completion: Ongoing

Corrected Action: The Local Security Office and unit supervisor(s) will ensure all new hires complete the required Initial Information Security Training before granting access to state applications. The LSO will run monthly training reports in SAMS to ensure all staff is in compliance with required training(s).

2017-007: Non-material Noncompliance – Social Services’ Continuity of Operations Program (“COOP”) (Repeat Finding – 2016-007)

Condition: The COOP did not include a plan for loss of access to a facility (e.g., as in fire), loss of services due to a reduced workforce (as in pandemic influenza), or loss of services due to equipment or systems failure.

Criteria: Per Section 3-15 of the *Specifications for Audits of Counties, Cities, and Towns*, published by the Commonwealth of Virginia’s Auditor of Public Accounts, counties are responsible for having a documented business continuity plan in which requirements are described on the Virginia Department of Emergency Management’s website. The Specifications describe there must be a plan for three types of disruptions: loss of access to a facility, loss of services due to a reduced workforce, and loss of services due to equipment or system(s) failure.

Cause: The Loudoun County Department of Social Services has a documented COOP in place; however, it does not discuss a plan for the three types of disruptions per Section 3-15 of the Specifications.

Effect: Noncompliance may result in action by the Commonwealth.

Questioned Cost: Non-financial finding.

Recommendation: The County should ensure the COOP includes procedures addressing loss of access to a facility, loss of services due to a reduced workforce, and loss of services due to equipment or system(s) failure per Section 3-15 of the Specifications.

Views of Responsible Officials and Planned Corrective Action:

Responsible Person: Colleen Stiles, Finance Manager

Estimated Completion: June 30, 2018

Corrected Action: Department of Family Services will work in coordination with the Office of Emergency Management and Department of Information Technology to develop a COOP plan to address the loss of access to a facility, loss of services due to reduced workforce, and loss of services due to equipment or system(s) failure.

COUNTY OF LOUDOUN, VIRGINIA

STATUS OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2017

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

None reported in prior year.

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

2016-001: Material Weakness and Compliance Qualification – Medical Assistance Program Eligibility

Condition: Of the sixty (60) participants selected for testing, twenty-four (24) participant case files did not include evidence of annual eligibility redetermination performed within the grant's time requirements, twelve (12) participant case files had no evidence of the annual eligibility redetermination ever being performed and one (1) participant case file did not include a properly signed application by an adult household member or authorized representative.

Status: Finding repeated in current year – see 2017-003.

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

2016-002: Non-material Noncompliance – Conflict of Interest

Condition: One (1) of nineteen (19) officials did not file a completed annual Statement of Economic Interests form by the December 15, 2015 deadline.

Status: Finding repeated in current year – see 2017-004.

2016-003: Non-material Noncompliance – Social Services System Access

Condition: One (1) of fifteen (15) separated Social Services employees did not have system access removed within three days of their separation date.

Status: Finding not repeated in current year.

2016-004: Non-material Noncompliance – Social Services Internal Action and Vault Card Authorization Form

Condition: Two (2) of twenty-five (25) Internal Action and Vault EBT Card Authorization forms reviewed did not have a supervisor authorization to authorize the issuance of the Vault EBT Card. In addition, two (2) of twenty-five (25) forms were signed by the same individual for both Eligibility Worker and Supervisor.

Status: Finding not repeated in current year.

2016-005: Non-material Noncompliance – Social Services Computer Access Request Forms

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

Status: Finding repeated in current year – see 2017-005.

COUNTY OF LOUDOUN, VIRGINIA
STATUS OF PRIOR AUDIT FINDINGS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

2016-006: Non-material Noncompliance – Social Services System Access

Condition: One (1) of fifty-one (51) Social Service employees did not complete the required Annual Information Security and Privacy Awareness Training by the July 31, 2015 deadline set by the ISRM Office.

Status: Finding not repeated in current year.

2016-007: Non-material Noncompliance – Social Services Continuity of Operations Program (“COOP”)

Condition: The COOP did not include a plan for loss of access to a facility (e.g., as in fire), loss of services due to a reduced workforce (as in pandemic influenza), or loss of services due to equipment or systems failure.

Status: Finding repeated in current year – see 2017-007.

2016-008: Non-material Noncompliance – Children’s Services Act (CSA) Funds

Condition: For a sample of twenty-five (25) participants, one (1) participant received services for approximately three (3) months prior to an approved purchase order for services.

Status: Finding not repeated in current year.