

COUNTY OF SPOTSYLVANIA, VIRGINIA

SINGLE AUDIT REPORT

JUNE 30, 2010

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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 governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Spotsylvania, Virginia as of and for the year ended June 30, 2010, which collectively comprise the County of Spotsylvania, Virginia's basic financial statements and have issued our report thereon dated November 10, 2010. 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

In planning and performing our audit, we considered the County of Spotsylvania, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Spotsylvania's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Spotsylvania, Virginia'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 reasonable possibility that a material misstatement of the County of Spotsylvania's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the 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 2010-1 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.

1121 Heatherstone Drive ■ Fredericksburg, Virginia 22407

Compliance and Other Matters

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

The County of Spotsylvania's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County 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, reading "Miller Foley Shroyer", followed by a horizontal line.

Fredericksburg, Virginia
November 10, 2010



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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO 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 compliance of the County of Spotsylvania, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The County 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 referred to above 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 direct and material effect on a major federal program identified in the accompanying schedule of findings and questioned costs 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 identified in the accompanying schedule of findings and questioned costs for the year ended June 30, 2010.

Internal Control over Compliance

Management of the County of Spotsylvania, Virginia is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the County of Spotsylvania, Virginia's internal control over compliance with requirements that could have a direct and

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material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County 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 in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The County of Spotsylvania, Virginia's response to the finding 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 the responses.

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, reading "Miller Foley Shroyer". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Fredericksburg, Virginia
November 10, 2010

COUNTY OF SPOTSYLVANIA, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

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. No 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>
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
Highway Planning and Construction Cluster	20.205

7. The threshold for distinguishing Types A and B programs was \$1,031,686.
8. The County of Spotsylvania, Virginia qualified as a low-risk auditee.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

FINDINGS – FINANCIAL STATEMENT AUDIT

2010-1

Condition: We noted a lack of monitoring of compliance with internal control procedures. Increasing complexity in the current accounting standards and new regulations and transparency in the governmental arena dictate that internal control systems adapt to those changes. Recent economic factors have forced fewer personnel to take additional responsibilities, limiting the time they might otherwise have to perform monitoring.

Criteria: Internal controls over monitoring should be in place to provide assurance that the internal control system continues to operate effectively over time and promotes good control of operations. Monitoring performed outside of the finance function would insure that all assets of the County are secured and properly recorded.

Effect: Internal controls may not be followed and inefficiencies or compliance problems arise due to lack of monitoring.

Recommendation: We believe that an internal audit function is a necessary component in the monitoring function and the position could easily pay for itself by improving efficiencies and controls over many aspects of the operating and financial processes of the County. We recommend that position not reside in the finance departments, but report directly to the appropriate boards and administration.

Corrective Action: The County understands the recommendation and the need for expanded monitoring over internal controls. In the current economic environment, it will be difficult to add a new position to provide this function. County Administration plans to recommend an internal audit function in its Budget for the upcoming fiscal year.

***FINDINGS AND QUESTIONED COSTS–MAJOR FEDERAL AWARD PROGRAMS
AUDIT***

None

COUNTY OF SPOTSYLVANIA, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2010

Federal Granting Agency/Recipient State Agency/Grant Program/Grant Number	Federal Catalogue Number	Agency or Pass-Through Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE:			
Pass-Through Payments:			
State Department of Agriculture:			
National School Lunch Program	10.555	301	\$ 318,577
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	765	669,407
ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	765	52,364
<i>Sub total Supplemental Nutrition</i>			721,771
Department of Education:			
School Breakfast Program	10.553	197	659,498
National School Lunch Program	10.555	197	2,686,951
Total U.S. Department of Agriculture			\$ 4,386,797
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Direct Payments:			
Head Start	93.600	N/A	\$ 832,362
ARRA - Head Start	93.600	N/A	48,047
<i>Sub total Head Start</i>			\$ 880,409
Pass-Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	765	35,202
Temporary Assistance for Needy Families	93.558	765	645,027
Refugee and Entrant Assistance - State Administered Programs	93.566	765	2,125
Low Income Home Energy Assistance	93.568	765	17,483
Child Care and Development Block Grant	93.575	765	275,951
Child Care Mandatory and Matching Funds of the Child Care and Development Funds	93.596	765	573,355
Chafee Education and Training Vouchers Program	93.599	765	4,559
Child Welfare Services - State Grants	93.645	765	1,502
Foster Care Title IV-E	93.658	765	549,984
ARRA - Foster Care Title IV-E	93.658	765	34,323
<i>Sub total Foster Care</i>			584,307
Adoption Assistance	93.659	765	124,341
ARRA - Adoption Assistance	93.659	765	10,586
<i>Sub total Adoption Assistance</i>			134,927
Social Services Block Grant	93.667	765	181,022
Chafee Foster Care Independence Program	93.674	765	9,989
ARRA - Child Care and Development Block Grant	93.713	765	115,523
Children's Health Insurance Program	93.767	765	30,515
Medical Assistance Program	93.778	765	415,212
Total U.S. Department of Health and Human Services			\$ 3,907,108

COUNTY OF SPOTSYLVANIA, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2010

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	\$ 18,190
Assistance to Firefighters Grant	97.044	N/A	153,892
State Homeland Security Program (SHSP)	97.073	N/A	111,020
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	N/A	185,781
Pass-Through Payments:			
Department of Emergency Management:			
Emergency Management Performance Grants	97.042	127	18,078
Total U.S. Department of Homeland Security			\$ 486,961
<i>U.S. DEPARTMENT OF EDUCATION:</i>			
Direct Payments:			
Impact Aid	84.041	N/A	\$ 235,386
Fund for the Improvement of Education	84.215	N/A	267,343
JROTC	99.900	N/A	135,530
Pass-Through Payments:			
Department of Education:			
Adult Education - Basic Grants to States	84.002	197	187,266
ARRA - Adult Education - Basic Grants to States	84.002	197	151,946
<i>Sub total Adult Education</i>			339,212
Title I - Grants to Local Educational Agencies	84.010	197	2,141,031
Title I - State Agency Program for Neglected and Delinquent Children	84.013	197	22,430
Special Education Grants to States	84.027	197	4,350,206
Career and Technical Education	84.048	197	226,511
Special Education - Preschool Grants	84.173	197	23,960
ARRA - Special Education - Preschool Grants	84.173	197	60,862
<i>Sub total Special Education</i>			84,822
Safe and Drug-Free Schools and Communities - State Grants	84.186	197	100,588
State Grants for Innovative Programs	84.298	197	861
Education Technology State Grants	84.318	197	21,905
English Language Acquisition Grants	84.365	197	69,960
Improving Teacher Quality State Grants	84.367	197	493,877
ARRA - Educational Technology State Grants, Recovery Act	84.386	197	27,520
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	197	560,736
ARRA - Special Education Grants to States, Recovery Act	84.391	197	2,434,419
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	197	28,145
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	197	12,444,920
Total U.S. Department of Education			\$ 23,985,402

COUNTY OF SPOTSYLVANIA, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2010

Federal Granting Agency/Recipient State Agency/Grant Program/Grant Number	Federal Catalogue Number	Agency or Pass-Through Number	Federal Expenditures
U.S. DEPARTMENT OF JUSTICE:			
Direct Payments:			
Part E - Developing, Testing and Demonstrating Promising New Programs	16.541	N/A	\$ 4,880
Missing Children's Assistance	16.543	N/A	7,329
Crime Victim Assistance	16.575	N/A	104,807
Crime Victim Assistance/Discretionary Grants	16.582	N/A	5,000
State Criminal Alien Assistance Program	16.606	N/A	19,360
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	50,152
Pass-Through Payments:			
Department of Criminal Justice Services:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	140	134,932
ARRA - Violence Against Women Formula Grants	16.588	140	34,359
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program (JAG) Program/Grants to States and Territories	16.803	140	205,202
Total U.S. Department of Justice			<u>\$ 566,021</u>
U.S. DEPARTMENT OF TRANSPORTATION:			
Direct Payments:			
ARRA - Highway Planning and Construction	20.205	N/A	\$ 923,853
Pass-Through Payments:			
Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	154	62,976
Total U.S. Department of Transportation			<u>\$ 986,829</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Pass-Through Payments:			
Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	197	\$ 18,109
Total Corporation for National and Community Service			<u>\$ 18,109</u>
U.S. DEPARTMENT OF THE INTERIOR			
Direct Payments:			
Save America's Treasures	15.929	N/A	\$ 13,700
Total U.S. Department of the Interior			<u>\$ 13,700</u>
U.S. DEPARTMENT OF ENERGY			
Direct Payments:			
ARRA - Energy, Efficiency and Conservation Block Grant Program (EECBG)	81.128	N/A	\$ 38,616
Total U.S. Department of Energy			<u>\$ 38,616</u>
			<u>\$ 34,389,543</u>

See notes to the schedule of expenditure of federal awards

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2010

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, 2010, the entity had food commodities totaling \$24,744 in inventory.