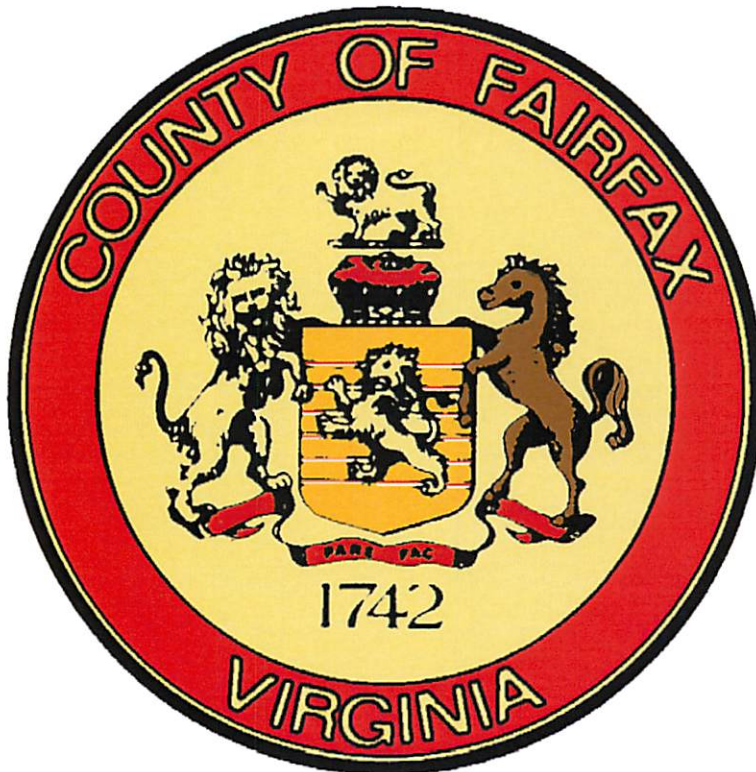

Fairfax County Board of Supervisors Reports



Year ended June 30, 2013



KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

November 22, 2013

The Board of Supervisors
County of Fairfax, Virginia:

Ladies and Gentlemen,

The purpose of this letter is to provide the Board of Supervisors of the County of Fairfax, Virginia (County) certain documents prepared in connection with our audit of the County's basic financial statements as of and for the year ended June 30, 2013. These documents, which are similar to what we have provided in prior years, are as follows:

Comprehensive Annual Financial Report – The comprehensive annual financial report (CAFR), which will be provided to you under separate cover, contains the basic financial statements of the County and its component units as of and for the year ended June 30, 2013. Our independent auditors' report on these basic financial statements, which are the responsibility of the County's management, is included on the first three pages of the financial section. The CAFR also includes a transmittal letter from the County Executive, the Chief Financial Officer, and the Director of Finance; management's discussion and analysis; required supplementary information; other supplementary information; and a statistical section.

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

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

Single Audit Act Report – This document includes the County-prepared schedule of expenditures of federal awards for the year ended June 30, 2013. It also includes our report on the County's compliance with the types of compliance requirements applicable to each of your major federal award programs as well as your internal control over compliance with the requirements of laws, regulations contracts and grants applicable to each of your major federal award programs. Finally, it also includes our report on internal control over financial reporting and on compliance and other matters based on an audit performed in accordance with *Government Auditing Standards*.

We look forward to discussing these documents with you at the Board of Supervisors meeting on December 3, 2013. If you have any questions, please call me at (202) 533-3085 or Michelle Huffman at (571)-422-0885.

Very truly yours,

KPMG LLP

Brian J. Grega, Partner
KPMG LLP

County of Fairfax, Virginia
Board of Supervisors Reports
Year ended June 30, 2013

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KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

The Board of Supervisors
County of Fairfax, Virginia

Ladies and Gentlemen:

We have audited the financial statements of the County of Fairfax, Virginia (the County) as of and for the year ended June 30, 2013, and have issued our report thereon dated November 22, 2013. Our report was modified to include a reference to the adoption of two new accounting standards. We did not audit the financial statements of the Fairfax County Redevelopment and Housing Authority (FCRHA), a discretely presented component unit of the County, which represent 7%, 4%, and 4%, respectively, of total assets, net assets, and revenues of the aggregate discretely presented component units. Under our professional standards, we are providing you with the accompanying information related to the conduct of our audit.

Our Responsibility Under Professional Standards

We are responsible for forming and expressing an opinion about whether the financial statements, that have been prepared by management with the oversight of the County Board of Supervisors, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. We have a responsibility to perform our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the financial statements are detected. Our audit does not relieve management or the County Board of Supervisors of their responsibilities.

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

We also have a responsibility to communicate significant matters related to the financial statement audit that are, in our professional judgment, relevant to the responsibilities of the



Board of Supervisors in overseeing the financial reporting process. We are not required to design procedures for the purpose of identifying other matters to communicate to you.

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

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

Other Information in Documents Containing Audited Financial Statements

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

Accounting Practices and Alternative Treatments

Significant Accounting Policies

The significant accounting policies used by the County are described in Note A to the financial statements. These policies and practices are considered most important to the portrayal of the County's financial condition and results of operations, and require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about matters that are inherently uncertain. We have discussed with management our assessment of management's disclosures regarding such policies and practices, the reasons why these policies and practices are considered critical, and how current and anticipated future events impact those determinations. We noted the County, with the exception of the County Retirement Systems, adopted Governmental Accounting Standards Board (GASB) Statement number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and early implemented GASB Statement No.65, *Items Previously Reported as Assets and Liabilities*.



Unusual Transactions

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

Qualitative Aspects of Accounting Practices

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

Management Judgments and Accounting Estimates

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

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

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

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



The Board of Supervisors
County of Fairfax, Virginia
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We evaluated the key factors and assumptions that management used to develop these estimates and determined that the estimates are reasonable in relation to the financial statements taken as a whole.

Uncorrected and Corrected Misstatements

Uncorrected Misstatements

In connection with our audit of the County's financial statements, we have not identified any significant financial statement misstatements that have not been corrected in the County's books and records as of and for the year ended 6/30/13 and have communicated that finding to management.

Corrected Misstatements

In addition, during the course of our audit, we identified and discussed with management two financial statement misstatements that were corrected by the County. Specifically, we proposed a correction relating to the valuation of the County's tax revenue allowance and one related to the health insurance IBNR claims payable for an incorrect use in estimate. Both misstatements were corrected, however if not corrected would not have caused the County's financial statements to have been materially misstated. Attached is a copy of the adjustments that have been discussed with management and corrected by the County.

Disagreements with Management

There were no disagreements with management on financial accounting and reporting matters that would have caused a modification of our auditors' report(s) on the County's financial statements.

Management's Consultation with Other Accountants

To the best of our knowledge, management had not consulted with or obtained opinions, written or oral, from other independent accountants during the year ended June 30, 2013.

Significant Issues Discussed, or Subject to Correspondence, with Management

Major Issues Discussed with Management Prior to Retention

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



The Board of Supervisors
County of Fairfax, Virginia
Page 5 of 5

Material Written Communications

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

1. Engagement letter; and
2. Management representation letter

Significant Difficulties Encountered During the Audit

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

Other Significant Findings or Issues

Independence

As requested, we are communicating all relationships between our firm and the County and persons in a financial reporting oversight role at the County that may reasonably be thought to bear on auditor independence.

We are not aware of any relationships between our firm and the County and persons in a financial reporting oversight role at the County that may reasonably be thought to bear on independence and the professional services that have been provided to the County in 2013, which are summarized in the attached engagement letter.

Confirmation of Audit Independence

We hereby confirm that as of November 22, 2013, we are independent accountants with respect to the Company under relevant professional and regulatory standards.

* * * * *

This letter to the County Board of Supervisors is intended solely for the information and use of the Supervisors and County management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

KPMG LLP

Washington, DC
November 22, 1013



KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

April 22, 2013

Mr. Victor Garcia, Director
Department of Finance

Ms. Cathy A. Muse, Director
Department of Purchasing and Supply Management

County of Fairfax
1200 Government Center Parkway
Suite 214
Fairfax, VA 22035-0013

Dear Mr. Garcia and Ms. Muse:

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

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

While our reports may be sent to the County electronically for your convenience, only the hard copy report is to be relied upon as our work product.

KPMG uses the services of KPMG controlled entities, KPMG member firms and/or third party service providers to provide professional services and administrative, analytical and clerical support. These parties may have access to certain of your information with the understanding that the confidential information will be maintained under information controls providing equivalent protection as our own. You also understand and agree that KPMG aggregates your information with information from other sources for the purpose of improving audit quality and service, and for use in presentations to clients and non-clients in a form where it is sufficiently de-identified so as not to be attributable to the County or where the County could be identified as a source of the information.



Mr. Victor Garcia, Director
Ms. Cathy A. Muse, Director
County of Fairfax
April 22, 2013
Page 2 of 3

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

Very truly yours,

KPMG LLP

Brian J. Grega
Partner

ACCEPTED:

Fairfax County

Authorized Signature

DIRECTOR OF FINANCE
Title

April 23, 2013
Date

ACCEPTED:

Fairfax County

Authorized Signature

Purchasing Agent
Title

May 1, 2013
Date

Appendix I

Fees for Services

Our fees for the services to be performed are estimated as follows:

Description	Amount
<u>County</u>	
<i>Independent Auditors' Report</i>	
Oversight	\$315,273
Public Schools	218,000
Integrated Sewer System	36,000
Park Authority	36,000
Economic Development Authority	29,000
ERFC	49,000
County Retirement System	59,000
OMB-A-133 Single Audit (8 programs)	197,000
<i>Agreed Upon Procedures Report (as required by Virginia APA)</i>	
Route 28 Activity	5,500
EPA Landfill Computation of Excess Revenues over Expenditures	4,500
Sheriff Internal Control	5,000
Comparative Report Transmittal Forms	2,000
Activity of Inmate Canteen and other auxiliary Funds	<u>5,500</u>
Sub-Total	<u>\$961,773</u>
<u>Other</u>	
<i>Independent Auditors' Report</i>	
State Route 28 Highway Transportation Improvement District	<u>15,390</u>
Total	<u>\$977,163</u>

In accordance with Contract Number RQ07-916277-40A, the above fees were indexed to the Robert Half Annual Accounting Salary Survey as published by Robert Half International, Inc. As a result, an escalation factor of 3.69 percent is included in the above fees. In addition, the above estimates are based on the level of experience of the individuals who will perform the services. Circumstances encountered during the performance of these services that warrant additional time or expense could cause us to be unable to deliver them within the above estimates. We will endeavor to notify you of any such circumstances as they are assessed.



KPMG LLP
2001 M Street, NW
Washington, DC 20036

Telephone 202 533 3000
Fax 202 533 8500
Internet www.us.kpmg.com

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

February 9, 2009

Dear Mr. Garcia and Ms. Muse:

This letter will confirm our understanding of our engagement to provide professional services to Fairfax County and its related entities (hereinafter referred to as the County). This letter does not change the terms of our contract number RQ07-916277-40A to perform this work.

Objectives and Limitations of Services

Financial Statement Audit Services

We will issue written reports upon our audits of the County's financial statements, as set forth on page 3. Fairfax County Redevelopment and Housing Authority (FCRHA), a discretely presented component unit of the County, will be audited by Clifton Gunderson, LLP.

We have a responsibility to conduct and will conduct the audits of the financial statements in accordance with auditing standards generally accepted in the United States of America and the standards for 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, with the objective of expressing an opinion as to whether the presentation of the financial statements, taken as a whole, conforms with U.S. generally accepted accounting principles.

In conducting the audits, we will perform tests of the accounting records and such other procedures, as we consider necessary in the circumstances, to provide a reasonable basis for our opinions on the financial statements. We also will assess the accounting principles used and significant estimates made by management, and evaluate the overall financial statement presentation.

Our audits of the financial statements are planned and performed to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement,



whether caused by error or fraud. Absolute assurance is not attainable because of the nature of audit evidence and the characteristics of fraud. Therefore, there is a risk that material errors, fraud (including fraud that may be an illegal act), and other illegal acts may exist and not be detected by an audit of financial statements performed in accordance with the auditing standards generally accepted in the United States of America. Also, an audit is not designed to detect matters that are immaterial to the financial statements.

Our report will be addressed to the County's Board of Supervisors and relevant related entity board, federal agency and/or state entity as required. We cannot provide assurance that unqualified opinions will be rendered. Circumstances may arise in which it is necessary for us to modify our reports or withdraw from the engagement.

Internal Control over Financial Reporting and Compliance and Other Matters

In planning and performing our audits of the financial statements, we will consider the County's internal control over financial reporting as a basis for designing audit procedures for the purpose of expressing opinions on the financial statements and not to provide opinions on the effectiveness of the County's internal control over financial reporting. In accordance with *Government Auditing Standards*, we are required to communicate that the limited purpose of our consideration of internal control may not meet the needs of some users who require additional information about internal control. We can provide other services to provide you with additional information on internal control which we would be happy to discuss with you at your convenience.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the County's compliance with certain provisions of laws, regulations, contracts and grants, violations of which could have a direct and material effect on the financial statements. However, our objective is not to provide an opinion on overall compliance with such provisions.

In accordance with *Government Auditing Standards*, we will prepare a written report, *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* (GAGAS report), on our consideration of internal control over financial reporting and tests of compliance made as part of our audits of the financial statements. While the objective of our audits of the financial statements is not to report on the County's internal control over financial reporting and we are not obligated to search for significant deficiencies or material weaknesses as part of our audit of the financial statements, this report will include any significant deficiencies and material weaknesses to the extent they come to our attention. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a



remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. This report will also include illegal acts and fraud, unless clearly inconsequential, and material violations of grants, contracts and abuse. It will indicate that it is intended solely for the information and use of the County's Board of Supervisors, relevant related entity boards, management of the County and federal awarding agencies and pass-through entities and that it is not intended to be and should not be used by anyone other than these specified parties.

In summary, we will issue reports for the year ended June 30, 2009, as follows:

- A report on the County's basic financial statements (version for inclusion in the County's Comprehensive Annual Financial Report). KPMG will not report on the financial statements of the FCRHA, which will be audited by Clifton Gunderson, LLP.
- A report on the internal controls and compliance based on an audit of the aforementioned financial statements performed in accordance with *Government Auditing Standards*;
- A report on the financial statements of the following entities:
 - Fairfax County Economic Development Authority
 - Fairfax County Park Authority
 - Fairfax County Public Schools
 - Fairfax County Integrated Sewer System
 - Fairfax County Uniformed Retirement System
 - Fairfax County Employees' Retirement System
 - Fairfax County Police Retirement System
 - Educational Employees' Supplementary Retirement System
 - State Route 28 Highway Transportation District

In accordance with *Government Auditing Standards*, we will also issue a management letter to communicate other deficiencies in internal controls that are not significant deficiencies or material weaknesses, other violations of provisions of contracts or grant agreements, or abuse that have an effect on the financial statements that is less than material but more than inconsequential that come to our attention.

In accordance with *Government Auditing Standards*, we are also required in certain circumstances to report fraud or illegal acts directly to parties outside the auditee.

Agreed-Upon Procedures

Our engagement to apply certain agreed-upon procedures will be performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency



of the procedures is solely the responsibility of the specified users of the reports. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose for which our reports are being prepared or for any other purpose.

At the conclusion of the engagement, County management agrees to supply us with representation letters that, among other things, will confirm management's responsibility for the sufficiency of the agreed-upon procedures for its purposes and the fair presentation of the related subject matter.

Because the agreed-upon procedures referred to above do not constitute audits, we will not express opinions on the subject matter. Our reports will include a statement to that effect. In addition, we have no obligation to perform any procedures beyond those specified in our current agreement with the County, which are similar to those performed last year.

Our reports will include a list of the procedures performed (or reference thereto) and the related findings. Our reports will also contain a paragraph indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you. We have no responsibility to update our reports for events and circumstances occurring after the dates of such reports.

Our reports are intended solely for the use of the County and certain specified users and are not intended for use by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. If you request that additional specified users of the reports be added, we will require that they acknowledge, in writing, their agreement with the procedures and their responsibility for the sufficiency of the procedures for their purposes.

If we are unable to complete the agreed-upon procedures referred to above, we will discuss the matter with you during the engagement. In such circumstances, we may conclude that we will not issue any of the reports as a result of this engagement.

In summary, we will issue agreed-upon procedures reports for the year ended June 30, 2009, as follows:

- Route 28 activity,
- Activity of inmate canteen and other auxiliary funds,
- Sheriff's internal control (as required by APA),
- APA transmittal forms, and



- Computation of Excess Revenues over Expenditures prepared in accordance with 40 CFR Part 258, Subpart G, *Criteria For Municipal Solid Waste Landfills - Financial Assurance Criteria*.

OMB Circular A-133 Audit Services

We will also perform audit procedures with respect to the County's major federal programs in accordance with the provisions of OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations* (OMB Circular A-133). OMB Circular A-133 includes specific audit requirements, mainly in the areas of internal control and compliance with laws, regulations, contracts and grants that exceed those required by *Government Auditing Standards*.

As part of our audit procedures performed in accordance with the provisions of OMB Circular A-133, we will perform tests to evaluate the effectiveness of the design and operation of internal controls that we consider relevant to preventing or detecting material noncompliance with laws, regulations, contracts and grants applicable to each of the County's major programs. The tests of internal control performed in accordance with OMB Circular A-133 are less in scope than would be necessary to render an opinion on internal control.

Compliance with laws, regulations, contracts and grant agreements applicable to federal programs is the responsibility of management. We will perform tests of the County's compliance with certain provisions of laws, regulations, contracts and grant agreements we determine to be necessary based on the *OMB Circular A-133 Compliance Supplement (Compliance Supplement)*. The procedures outlined in the *Compliance Supplement* are those suggested by each federal agency and do not cover all areas of regulations governing each program. Program reviews by federal agencies may identify additional instances of noncompliance.

As required by OMB Circular A-133, we will prepare a written report which 1) provides our opinion on the schedule of expenditures of federal awards in relation to the County's financial statements, taken as a whole, 2) provides our opinion on compliance with laws, regulations, contracts and grant agreements that could have a direct and material effect on a major federal program, and 3) communicates our consideration of internal control over major federal programs. The A-133 report will indicate that it is intended solely for the information and use of the County's Board of Supervisors, relevant related entity boards, and management of the County and federal awarding agencies and pass-through entities and that it is not intended to be and should not be used by anyone other than these specified parties.

Offering Documents

Should the County wish to include or incorporate by reference these financial statements and our audit report(s) thereon into an offering of exempt securities, prior to our consenting to include or



incorporate by reference our report(s) on such financial statements, we would consider our consent to the inclusion of our report and the terms thereof at that time. We will be required to perform procedures as required by the standards of the American Institute of Certified Public Accountants, including, but not limited to, reading other information incorporated by reference in the offering document and performing subsequent event procedures. Our reading of the other information included or incorporated by reference in the offering document will consider whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the financial statements. However, we will not perform procedures to corroborate such other information (including forward-looking statements). The specific terms of our future services with respect to future offering documents will be determined at the time the services are to be performed.

Should the County wish to include or incorporate by reference these financial statements and our audit reports thereon into an offering of exempt securities without obtaining our consent to include or incorporate by reference our reports on such financial statements, and we are not otherwise associated with the offering document, then the County agrees to include the following language in the offering document:

"KPMG LLP, our independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this official statement."

Our Responsibility to Communicate with the County's Board of Supervisors

We will report to you, in writing, the following matters:

- Corrected misstatements arising from the audit that could, in our judgment, either individually or in aggregate, have a significant effect on the County's financial reporting process. In this context, corrected misstatements are proposed corrections of the financial statements that were recorded by management and, in our judgment, may not have been detected except through the auditing procedures performed.
- Uncorrected misstatements aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in aggregate.
- Any disagreements with management or other serious difficulties encountered in performance of our audit.
- Other matters required to be communicated by auditing standards generally accepted in the United States of America.



We will also read minutes, if any, of the Board of Supervisors' meetings for consistency with our understanding of the communications made to you and determine that you have received copies of all material written communications between ourselves and management. We will also determine that you have been informed of i) the initial selection of, or the reasons for any change in, significant accounting policies or their application during the period under audit, ii) the methods used by management to account for significant unusual transactions, and iii) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

If, in performance of our audit procedures, circumstances arise which make it necessary to modify our report or withdraw from the engagement, we will communicate to you our reasons for modification or withdrawal.

Management Responsibilities

The management of the County is responsible for the fair presentation, in accordance with U.S. generally accepted accounting principles, of the financial statements and all representations contained therein. Management also is responsible for identifying and ensuring that the County complies with laws, regulations, contracts and grant agreements applicable to its activities, and for informing us of any known material violations of such laws and regulations and provisions of contracts and grant agreements. Management also is responsible for preventing and detecting fraud, including the design and implementation of programs and controls to prevent and detect fraud, for adopting sound accounting policies, and for establishing and maintaining effective internal controls and procedures for financial reporting to maintain the reliability of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements. Management is also responsible for informing us, of which it has knowledge, of all significant deficiencies and material weaknesses in the design or operation of such controls. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Management of the County also agrees that all records, documentation, and information we request in connection with our audit will be made available to us, that all material information will be disclosed to us, and that we will have the full cooperation of County personnel. As required by the auditing standards generally accepted in the United States of America, we will make specific inquiries of management about the representations embodied in the financial statements and the effectiveness of internal control, and obtain a representation letter from management about these matters. The responses to our inquiries, the written representations, and the results of audit tests, among other things, comprise the evidential matter we will rely upon in forming an opinion on the financial statements.



In addition to the OMB Circular A-133 requirements to maintain internal control and comply with provisions of laws, regulations, contracts and grants applicable to federal programs as discussed above, OMB Circular A-133 also requires the County to prepare a:

- Schedule of expenditures of federal awards;
- Summary schedule of prior audit findings;
- Corrective action plan; and
- Data collection form (Part I).

While we may be separately engaged to assist you in the preparation of these items, preparation is the responsibility of the County.

Certain provisions of OMB Circular A-133 allow a granting agency to request that a specific program be selected as a major program provided that the federal granting agency is willing to pay the incremental audit cost arising from such selection. The County agrees to notify KPMG of any such request by a granting agency and to work with KPMG to modify the terms of this letter as necessary to accommodate such a request.

In accordance with *Government Auditing Standards*, as part of our planning of the audit we will evaluate whether the County has taken appropriate corrective action to address findings and recommendations from previous engagements that could have a material effect on the financial statements. To assist us, management agrees to identify previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and to identify corrective actions taken to address significant findings and recommendations prior to June 30, 2009.

Management is responsible for adjusting the financial statements to correct material misstatements and for affirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements being reported upon taken as a whole. Because of the importance of management's representations to the effective performance of our services, the County will release KPMG and its personnel from any claims, liabilities, costs and expenses relating to our services under this letter attributable to any misrepresentations in the representation letter referred to above.

Management is also responsible for providing us with written responses in accordance with *Government Auditing Standards* to the findings included in the GAGAS or A-133 report within five business days of being provided with draft findings.



Management is responsible for the distribution of the reports issued by KPMG. In accordance with *Government Auditing Standards*, the reports issued citing *Government Auditing Standards* are to be made available for public inspection.

Other Matters

This letter shall serve as the County's authorization for the use of e-mail and other electronic methods to transmit and receive information, including confidential information, between KPMG and the County and between KPMG and outside specialists or other entities engaged by either KPMG or the County. The County acknowledges that e-mail travels over the public Internet, which is not a secure means of communication and, thus, confidentiality of the transmitted information could be compromised through no fault of KPMG. KPMG will employ commercially reasonable efforts and take appropriate precautions to protect the privacy and confidentiality of transmitted information.

Further, for purposes of the services described in this letter only, the County hereby grants to KPMG a limited, revocable, non-exclusive, non-transferable, paid up and royalty-free license, without right of sublicense, to use all names, logos, trademarks and service marks of the County solely for presentations or reports to the County or for internal KPMG presentations and intranet sites.

KPMG is a limited liability partnership comprising both certified public accountants and certain principals who are not licensed as certified public accountants. Such principals may participate in the engagements to provide the services described in this letter.

The work papers for this engagement are the property of KPMG. Pursuant to *Government Auditing Standards*, we are required to make certain work papers available in a full and timely manner to regulatory agencies upon request for their reviews of audit quality and for use by their auditors. In addition, we may be requested to make certain work papers available to regulators pursuant to authority given to them by law or regulation. Access to the requested work papers will be provided under supervision of KPMG personnel. Furthermore, upon request, we may provide photocopies of selected work papers to regulatory agencies. These regulatory agencies may intend, or decide, to distribute the photocopies or information contained therein to others, including other government agencies.

In the event KPMG is requested pursuant to subpoena or other legal process to produce its documents relating to this engagement for the County in judicial or administrative proceedings to which KPMG is not a party, the County shall reimburse KPMG at standard billing rates for its professional time and expenses, including reasonable attorney's fees, incurred in responding to such requests.



Other Government Auditing Standards Matters

As required by *Government Auditing Standards*, we have attached a copy of KPMG's most recent peer review report and letter of comments.

Additional Reports and Fees for Services

In accordance with our contract, our firm fixed price for the audit will be **\$833,100**. However, if there are future scope changes, the fees for such scope changes will be negotiated separately. Appendix I to this letter provides a detailed listing of our fees for professional services to be performed per this letter.

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

Very truly yours,

KPMG LLP

A handwritten signature in dark ink, appearing to read 'J. Reagan'.

Jack Reagan
Partner

Cc: Rob Churchman, KPMG
Armando Micles, KPMG
Chuck Kozlik, KPMG



ACCEPTED:

Fairfax County

Victor A. Garcia
Authorized Signature

Director, Dept. of Finance
Title

Feb. 13, 2009
Date

ACCEPTED:

Fairfax County

Cathy A. Muse
Authorized Signature

Director, Dept. of Finance
Title

Feb 20, 2009
Date



Appendix I

Fees for Services

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

Description	Amount
<u>County</u>	
<i>Independent Auditors' Reports</i>	
Oversight Entity (including Single Audit and OPEB Trust)	\$386,854
Public Schools	228,000
Integrated Sewer System	32,123
Park Authority	32,123
Economic Development Authority	25,148
ERFC	43,744
County Retirement Systems	51,040
<i>Agreed-Upon Procedures Reports</i>	
Route 28 activity (as required by the APA)	6,982
Computation of Excess Revenues over Expenditures ¹	6,982
Activity of inmate canteen and other auxiliary funds (as required by the APA)	6,982
Sub-total	\$819,979
<u>Other – Independent Auditors' Report</u>	
State Route 28 Highway Transportation District	13,121
Total	\$833,100

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

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



County of Fairfax, Virginia

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

November 22, 2013

KPMG LLP
1801 K Street, NW
Washington, DC 20006

Attention: Brian J. Grega

Ladies and Gentlemen:

We are providing this letter in connection with your audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the related notes to the financial statements, of the County of Fairfax, as of and for the year ended June 30, 2013, for the purpose of expressing opinions as to whether these financial statements present fairly, in all material respects, the respective financial positions, changes in financial positions, and, where applicable, cash flows thereof in conformity with U.S. generally accepted accounting principles. We are also providing this letter to confirm our understanding that the purpose of your testing of transactions and records relating to the County's federal programs (A-133 audit) was to obtain reasonable assurance that the County had complied, in all material respects, with the requirements of laws, regulations, contracts, and grants that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

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

We confirm, to the best of our knowledge and belief, as of November 22, 2013, the following representations made to you during your audits:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated February 9, 2009 and as amended April 22, 2013, for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles.

Department of Finance

12000 Government Center Parkway, Suite 214
Fairfax, Virginia 22035
703-324-3120; TTY 711
www.fairfaxcounty.gov/finance

2. We have made available to you:
 - a. All records, documentation, and information that is relevant to the preparation and fair presentation of the financial statements.
 - b. Additional information that you have requested from us for the purpose of the audits.
 - c. Unrestricted access and the full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence.
 - d. All minutes of the meetings of Board of Supervisors or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. Except as disclosed to you in writing, there have been no:
 - a. Circumstances that have resulted in communications from the County's external legal counsel to the County reporting evidence of a material violation of securities law or breach of fiduciary duty, or similar violation by the County or any agent thereof.
 - b. Communications from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations in any jurisdiction, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.
 - c. False statements affecting the County's financial statements made to the County's internal auditors, or other auditors who have audited entities under our control upon whose work you may be relying in connection with your audits.
4. There are no:
 - a. Violations or possible violations of laws or regulations, whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b. Unasserted claims or assessments that our lawyers have advised us are probable of assertion and must be disclosed in accordance with paragraphs 96 – 113 of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Statement No. 62, paragraphs 96 – 113.
 - d. Material transactions, for example, grants and other contractual arrangements, that have not been properly recorded in the accounting records underlying the financial statements.
 - e. Events that have occurred subsequent to the date of the statement of net position and through the date of this letter that would require adjustment to or disclosure in the financial statements.

5. All known actual or possible litigation and claims have been accounted for and disclosed in accordance with GASB Statement No. 62, paragraphs 96 – 113.
6. The effects of the uncorrected financial statement misstatements summarized in the accompanying schedule(s) are immaterial, both individually and in the aggregate, to the financial statements for each respective opinion unit.
7. We acknowledge our responsibility for preventing and detecting fraud, including the design and implementation of programs and controls to prevent and detect fraud; for adopting sound accounting policies; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements whether due to error or fraud.
8. There are no deficiencies, significant deficiencies, or material weaknesses in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the County's ability to initiate, authorize, record, process, or report financial data. We have applied the definitions of a "significant deficiency" and a "material weakness" in accordance with the definitions in AU-C Section 265, Communicating Internal Control Related Matters Identified in an Audit.
9. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
10. We have no knowledge of any fraud or suspected fraud affecting the County involving:
 - a. Management,
 - b. Employees who have significant roles in internal control over financial reporting, or
 - c. Others where the fraud could have a material effect on the financial statements.
11. We have no knowledge of any allegations of fraud or suspected fraud affecting the County received in communications from employees, former employees, analysts, regulators, or others.
12. We have no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.
13. We have no knowledge of any officer or member of the Board of Supervisors of the County, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate, or mislead you during your audits.
14. The following have been properly recorded or disclosed in the financial statements:
 - a. Related party relationships and transactions of which we are aware in accordance with the requirements of U.S. generally accepted accounting principles, including sales, purchases, loans, transfers, leasing arrangements, guarantees, ongoing contractual commitments, and amounts receivable from or payable to related parties.

- b. Guarantees, whether written or oral, under which the County is contingently liable.
 - c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and lines of credit or similar arrangements.
 - d. Agreements to repurchase assets previously sold, including sales with recourse.
 - e. Changes in accounting principle affecting consistency.
 - f. The existence of, and transactions with joint ventures and other related organizations.
- 15. The County has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.
 - 16. The County has complied with all aspects of laws, regulations, contractual agreements, donor restrictions, and grants that may affect the financial statements, including noncompliance.
 - 17. Management is responsible for compliance with the laws, regulations, donor restrictions, and provisions of contracts and grant agreements applicable to the County. Management has identified and disclosed to you all laws, regulations, donor restrictions, and provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts.
 - 18. The County's reporting entity includes all entities that are component units of the County. Such component units have been properly presented as either blended or discrete. Investments in joint ventures in which the County holds an equity interest have been properly recorded on the statement of net position. The financial statements disclose all other joint ventures and other related organizations.
 - 19. The financial statements properly classify all funds and activities, including governmental funds, which are presented in accordance with the fund type definitions in GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.
 - 20. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, for presentation as major are identified and presented as such, and all other funds that are presented as major are considered to be particularly important to financial statement users by management.
 - 21. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
 - 22. Amounts advanced to related entities represent valid receivables and are expected to be recovered at some future date in accordance with the terms of related agreements.

23. Receivables reported in the financial statements represent valid claims against debtors arising on or before the date of the statement of net position and have been appropriately reduced to their estimated net realizable value.
24. Deposits and investment securities are properly classified and reported.
25. The County is responsible for determining the fair value of certain investments as required by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. The amounts reported represent the County's best estimate of fair value of investments required to be reported under the Statement. The County also has disclosed the methods and significant assumptions used to estimate the fair value of its investments, and the nature of investments reported at amortized cost.
26. The County has identified and properly reported all of its derivative instruments and any related deferred outflows of resources or deferred inflows of resources related to hedging derivative instruments in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The County complied with the requirements of GASB Statement No. 53 related to the determination of hedging derivative instruments and the application of hedge accounting. Further, the County has disclosed all material information about its derivative and hedging arrangement in accordance with GASB Statement No. 53.
27. The estimate of fair value of derivative instruments is in compliance with GASB Statement No. 53. For derivative instruments with fair values that are based on other than quoted market prices, the County has disclosed the methods and significant assumptions used to estimate those fair values.
28. The following information about financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the financial statements:
 - a. Extent, nature, and terms of financial instruments with off-balance-sheet risk;
 - b. The amount of credit risk of financial instruments with off-balance-sheet credit risk, and information about the collateral supporting such financial instruments; and
 - c. Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments.
29. We believe that all material expenditures or expenses that have been deferred to future periods will be recoverable.
30. Capital assets, including infrastructure assets, are properly capitalized, reported and, if applicable, depreciated.
31. The County has properly applied the requirements of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, including those related to the recognition of outlays associated with the development of internally generated computer software.

32. The County has no:
- a. Commitments for the purchase or sale of services or assets at prices involving material probable loss.
 - b. Material amounts of obsolete, damaged, or unusable items included in the inventories at greater than salvage values.
 - c. Loss to be sustained as a result of other-than-temporary declines in the fair value of investments.
33. The County has complied with all tax and debt limits and with all debt related covenants.
34. We have received opinions of counsel upon each issuance of tax-exempt bonds that the interest on such bonds is exempt from federal income taxes under section 103 of the Internal Revenue Code of 1986, as amended. There have been no changes in the use of property financed with the proceeds of tax-exempt bonds, or any other occurrences, subsequent to the issuance of such opinions, that would jeopardize the tax-exempt status of the bonds. Provision has been made, where material, for the amount of any required arbitrage rebate.
35. We believe that the actuarial assumptions and methods used to measure financial statement liabilities and costs associated with pension and other post-employment benefits and to determine information related to the County's funding progress related to such benefits for financial reporting purposes are appropriate in the County's circumstances and that the related actuarial valuation was prepared in conformity with U.S. generally accepted accounting principles.
36. Provision has been made in the financial statements for the County's pollution remediation obligations. We believe that such estimate has been determined in accordance with the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* and is reasonable based on available information.
37. The County has identified and properly accounted for and presented all deferred outflows of resources and deferred inflows of resources.
38. Components of net position (net investment in capital assets; restricted; and unrestricted) and fund balance components (nonspendable; restricted; committed; assigned; and unassigned) are properly classified and, if applicable, approved.
39. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
40. The County has identified and properly accounted for all nonexchange transactions.
41. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
42. Special and extraordinary items are appropriately classified and reported.

43. The financial statements disclose all of the matters of which we are aware that are relevant to the entity's ability to continue as a going concern, including significant conditions and events, and our plans.
44. We have disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. generally accepted accounting principles. We have evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on the County's current period financial statements and our assessment of internal control over financial reporting, and the expected impact of each such policy and practice on future periods' financial reporting. We believe the effect of these policies and practices on the financial statements and our assessment of internal control over financial reporting is not material. Furthermore, we do not believe the impact of the application of these policies and practices will be material to the financial statements in future periods.
45. We agree with the findings of specialists in evaluating the insurance and benefit claims payable and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
46. We acknowledge our responsibility for the presentation of the supplementary information, which includes the individual fund statements for the Governmental Funds, Internal Service Funds, Fiduciary Funds, Capital Assets, and Component Units, in accordance with the applicable criteria and/or prescribed guidelines and:
 - a. Believe the supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria and/or prescribed guidelines.
 - b. The methods of measurement or presentation of the supplementary information have not changed from those used in the prior period.
 - c. The significant assumptions or interpretations underlying the measurement or presentation of the supplementary information are reasonable and appropriate in the circumstances.
47. We acknowledge our responsibility for the presentation of the required supplementary information which includes the budgetary comparison schedule for the County's major fund, the General Fund, the schedule of funding progress and employer contributions related to the pension trust funds in accordance with the applicable criteria and prescribed guidelines established by the *Governmental Accounting Standards Board* and:
 - a. Believe the required supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria and prescribed guidelines.
 - b. The methods of measurement or presentation of the required supplementary information have not changed from those used in the prior period.
 - c. The significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information are reasonable and appropriate in the circumstances.

48. The County has complied with all applicable laws and regulations in adopting, approving, and amending budgets
49. In accordance with *Government Auditing Standards*, we have identified to you all previous audits, attestation engagements, and other studies that relate to the objectives of this audit, including whether related recommendations have been implemented.
50. We implemented GASB 63, Financial Reporting of Deferred Outflows of Resources and Deferred Inflows of Resources and Net Position and performed the analysis and early implementation of GASB 65, Items Not Previously Reported as Assets and Liabilities.

Additionally, we confirm, to the best of our knowledge and belief, as of November 22, 2013 the following representations made to you during your A-133 audit:

51. We are responsible for establishing and maintaining effective internal control over compliance for federal programs that provides reasonable assurance that federal awards are administered in compliance with laws, regulations, and the provisions of contracts or grant agreements.
52. We are responsible for understanding and complying with the requirements of laws and regulations and the provisions of contracts and grant agreements related to each of its federal programs.
53. We are responsible for taking corrective action on audit findings of the compliance audit.
54. We are responsible for the design and implementation of programs and controls to prevent and detect fraud in the administration of federal programs. We have no knowledge of any fraud or suspected fraud affecting the entity's federal programs involving:
 - a. Management, including management involved in the administration of federal programs.
 - b. Employees who have significant roles in internal control over the administration of federal programs.
 - c. Others where the fraud could have a material effect on compliance with laws and regulations, and provisions of contract and grant agreements related to its federal programs.
55. We are responsible for the presentation of the schedule of expenditures of federal awards (SEFA) in accordance with OMB Circular A-133 and:
 - a. The methods of measurement or presentation of the supplementary information have not changed from those used in the prior period (or, if the methods of measurement or presentation have changed, the reasons for such changes).
 - b. The significant assumptions or interpretations underlying the measurement or presentation of the supplementary information are reasonable and appropriate in the circumstances.

56. The County is responsible for complying, and has complied, with the requirements of OMB Circular A-133.
57. The County has prepared the SEFA in accordance with the requirements of OMB Circular A-133 and:
- a. Has included all expenditures made during the year ended June 30, 2013 for all awards provided by federal agencies in the form of grants, American Recovery and Reinvestment Act (ARRA) awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
 - b. Appropriately identified and separated all ARRA awards, if any, within the SEFA.
58. The County has complied with requirements of laws and regulations, and the provisions of contracts and grant agreements related to each of its federal programs.
59. The County has disclosed to you any interpretations of any compliance requirements that have varying interpretations.
60. The County established and maintained effective internal control over compliance for federal programs that provides reasonable assurance that federal awards are administered in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on a federal program.
61. We have communicated to you all significant deficiencies and material weaknesses in the design or operation of internal control over compliance that we have identified, which could adversely affect the County's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, and the provisions of contracts and grant agreements. Under standards established by the American Institute of Certified Public Accountants, a deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct on a timely basis, noncompliance with a type of compliance requirement of a federal program. A "material weakness" is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement 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 over compliance with a compliance requirement that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
62. We have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program.
63. We have made available all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities related to major federal program.

Department of Finance

12000 Government Center Parkway, Suite 214

Fairfax, Virginia 22035

703-324-3120; TTY 711

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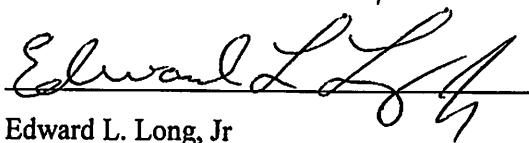
64. We have made available all documentation related to the compliance requirements, including information related to federal financial reports and claims for advances and reimbursements for major federal programs.
65. We have identified and disclosed to you all questioned costs and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews.
66. We have disclosed to you any communications from grantors and pass-through entities concerning possible noncompliance with the applicable compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
67. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
68. Except as identified in the schedule of findings and questioned costs, the County is in compliance with documentation requirements contained in OMB Circular A-87, "Cost Principles for State, Local and Tribal Governments" for all costs charged to federal awards, including both direct costs and indirect costs charged through cost allocation plans or indirect cost proposals. Costs charged to federal awards are considered allowable under the applicable cost principles contained in OMB Circular A-87.
69. Federal financial reports and claims for advances and reimbursements are supported by the accounting records from which the financial statements have been prepared.
70. The copies of federal financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
71. We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of OMB Circular A-133. If applicable, the County has issued management decisions on a timely basis after receipt of subrecipient audit reports that identified non-compliance with laws, regulations, or the provisions of contracts or grant agreements and has ensured that subrecipients have taken appropriate and timely corrective action on such findings.
72. We have not been informed by the State to report any of the patient service costs for Medicaid as a federal expenditure and, therefore, these costs are excluded from total expenditures on the SEFA.
73. If applicable, we have considered the results of subrecipient audits and have made any necessary adjustments to the County's accounting records.
74. We are responsible for, and have accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133.

75. If applicable, the County has provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
76. The County has accurately completed Part I of the data collection form.
77. The County has advised you of all contracts or other agreements with service organizations.
78. If applicable, the County has disclosed to you all communications from its service organizations relating to non-compliance at the service organizations.
79. The County has disclosed any known non-compliance occurring subsequent to the period for which compliance is audited.
80. The County has disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies (including material weaknesses), have occurred subsequent to the date as to which compliance is audited.

Further, we confirm that we are responsible for the fair presentation in the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, and the related notes to the financial statements, in conformity with U.S. generally accepted accounting principles. We are also responsible for establishing and maintaining effective internal control over financial reporting.


Very truly yours,

County of Fairfax, Virginia



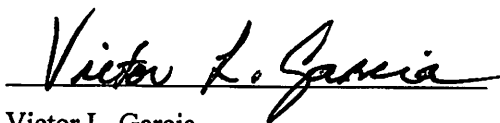
Edward L. Long, Jr

County Executive



Susan Datta

Chief Financial Officer



Victor L. Garcia

Director, Department of Finance

Department of Finance
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Fairfax, Virginia 22035
703-324-3120; TTY 711
www.fairfaxcounty.gov/finance



KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

November 22, 2013

The Board of Supervisors
County of Fairfax, Virginia

Ladies and Gentlemen:

We have audited the financial statements of governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Fairfax, Virginia (the County), which collectively comprise the County's basic financial statements, as of and for the year ended June 30, 2013, and have issued our report thereon dated November 22, 2013. We did not audit the financial statements of the Fairfax County Redevelopment and Housing Authority, a discretely presented component unit of the County, which represent 7%, 4%, and 4%, respectively, of total assets, net assets, and revenues of the aggregate discretely presented component units. In planning and performing our audit of the financial statements of the County, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

The maintenance of adequate control designed to fulfill control objectives is the responsibility of management. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, controls found to be functioning at a point in time may later be found deficient because of the performance of those responsible for applying them, and there can be no assurance that controls currently in existence will prove to be adequate in the future as changes take place in the organization.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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



Board of Supervisors
County of Fairfax, Virginia
November 22, 2013
Page 2 of 2

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

This communication is intended solely for the information and use of County management, the County Board of Supervisors, others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

KPMG LLP

COUNTY OF FAIRFAX, VIRGINIA

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

June 30, 2013

(With Independent Auditors' Reports Thereon)

COUNTY OF FAIRFAX, VIRGINIA

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KPMG LLP
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Washington, DC 20006

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

The Board of Supervisors
County of Fairfax, Virginia:

We have audited, 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 Specifications), the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Fairfax, Virginia (the County) as of and for the year ended June 30, 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 November 22, 2013. Our report includes a reference to other auditors who audited the financial statements of the Fairfax County Redevelopment and Housing Authority, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit 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.

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

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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 amount, and certain provisions of other laws and regulations specified in the Specifications, Chapters Two and Three. 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 herein under *Government Auditing Standards* or the Specifications.

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* and the Specifications in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

November 22, 2013



KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*

The Board of Supervisors
County of Fairfax, Virginia

Report on Compliance for Each Major Federal Program

We have audited Fairfax County, Virginia (the County's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County'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.

Auditors' 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.



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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2013-01 and 2013-02, that we consider to be significant deficiencies.

The County's responses to the internal control over compliance 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 the responses.

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.



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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of and for the year ended June 30, 2013, and have issued our report thereon dated November 22, 2013, which was modified to refer to other auditors. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the County's basic financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain 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 expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

Washington, DC
November 22, 2013

COUNTY OF FAIRFAX, VIRGINIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	Expenditures
Office of National Drug Control Policy		
Passed Through the University of Maryland:		
High Intensity Drug Trafficking Area (HIDTA) Project	07.999	346,173
Department of Agriculture		
Direct Awards:		
National School Lunch Program	10.555	3,745,380
Fresh Fruit and Vegetable Program	10.582	274,104
Passed Through the Commonwealth of Virginia:		
<u>Department of Education</u>		
School Breakfast Program	10.553	4,730,237
National School Lunch Program	10.555	22,655,722
<u>Department of Juvenile Justice</u>		
School Breakfast Program	10.553	34,911
National School Lunch Program	10.555	64,492
<u>Department of Health</u>		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	3,549,699
Child and Adult Care Food Program	10.558	4,482,609
Summer Food Service Program for Children	10.559	504,025
<u>Department of Agriculture and Rehabilitative Services</u>		
Child and Adult Care Food Program	10.558	804,364
<u>Department of Social Services</u>		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	7,569,732
<u>Department of Behavioral Health and Developmental Services</u>		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	155,081
Passed Through ABT Associates:		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	7,057
Department of Commerce		
Direct Awards:		
Chesapeake Bay Studies	11.457	72,598
Department of Defense		
Direct Awards:		
Junior ROTC (Department of Navy)	12.000	565,546
Army Youth Programs in Your Neighborhood	12.003	217,100
Federal Shelter Program (Department of Army)	12.115	66,664
Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools	12.556	861,776
Passed Through the Commonwealth of Virginia:		
<u>Department of Transportation</u>		
Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation	12.607	893,105

COUNTY OF FAIRFAX, VIRGINIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	Expenditures
Department of Housing and Urban Development		
Direct Awards:		
Supportive Housing for Persons with Disabilities	14.181	254,652
Community Development Block Grants/Entitlement Grants	14.218	7,104,929
Emergency Solutions Grant Program	14.231	86,264
Supportive Housing Program	14.235	907,697
Shelter Plus Care	14.238	1,463,906
HOME Investment Partnerships Program	14.239	5,793,127
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	8,606
ARRA - Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)	14.253	254,331
Fair Housing Assistance Program-State and Local	14.401	201,793
Public and Indian Housing	14.850	2,061,603
Resident Opportunity and Supportive Services - Service Coordinators (VA019RPS050A009-12965)	14.870	155,444
Resident Opportunity and Supportive Services - Service Coordinators (VA019RFS224A010-13965)	14.870	18,506
Resident Opportunity and Supportive Services - Service Coordinators (VA019RFS075A011-14965)	14.870	49,022
Resident Opportunity and Supportive Services - Service Coordinators (VA019RPS051A012)	14.870	25,137
Section 8 Housing Choice Vouchers	14.871	49,819,891
Public Housing Capital Fund	14.872	967,751
Department of Justice		
Direct Awards:		
Joint Law Enforcement Operations (JLEO)	16.111	22,702
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	403,812
State Criminal Alien Assistance Program	16.606	891,858
Bulletproof Vest Partnership Program	16.607	35,342
Edward Byrne Memorial Justice Assistance Grant Program	16.738	157,852
Equitable Sharing Program	16.922	768,221
Passed Through the Commonwealth of Virginia:		
<u>Department of Criminal Justice Services</u>		
Prisoner Reentry Initiative Demonstration (Offender Reentry)	16.202	166,024
Juvenile Accountability Block Grants	16.523	58,192
Supervised Visitation, Safe Havens for Children	16.527	35,574
Juvenile Justice and Delinquency Prevention-Allocation to States	16.540	74,160
Crime Victim Assistance	16.575	63,030
Crime Victim Assistance/Discretionary Grants	16.582	4,924
Violence Against Women Formula Grants	16.588	52,175
Edward Byrne Memorial Justice Assistance Grant Program	16.738	34,195

COUNTY OF FAIRFAX, VIRGINIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	Expenditures
<u>Department of Social Services</u>		
Crime Victim Assistance	16.575	10,166
Passed Through the Northern Virginia Regional Gang Task Force:		
Youth Gang Prevention	16.544	55,524
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15,983
Department of Labor		
Passed Through the Commonwealth of Virginia:		
<u>Virginia Community College System</u>		
WIA Adult Program	17.258	1,489,129
WIA Youth Activities	17.259	712,784
ARRA - WIA Dislocated Workers	17.260	79,301
WIA Dislocated Worker Formula Grants	17.278	1,393,878
Passed Through SkillSource Group:		
Workforce Innovation Fund	17.283	103,706
Veterans' Employment Program	17.802	41,155
Department of Transportation		
Direct Awards:		
Federal Transit-Capital Investment Grants	20.500	731,930
Job Access-Reverse Commute	20.516	464,390
Passed Through the Commonwealth of Virginia:		
<u>Department of Transportation</u>		
Highway Planning and Construction	20.205	2,754,480
<u>Department of Motor Vehicles</u>		
State and Community Highway Safety	20.600	39,471
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	133,834
Occupant Protection Incentive Grants	20.602	5,448
Passed Through SkillSource Group:		
Job Access-Reverse Commute	20.516	5,000
Department of the Treasury		
Direct Awards:		
Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009	77,838
Equal Employment Opportunity Commission		
Direct Awards:		
Employment Discrimination-Private Bar Program	30.005	96,951
National Aeronautics and Space Administration		
Direct Awards:		
Science	43.001	33,248
National Science Foundation		
Passed through Virginia Commonwealth University:		
ARRA - Trans-NSF Recovery Act Research Support	47.082	100,000

COUNTY OF FAIRFAX, VIRGINIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	Expenditures
Environmental Protection Agency		
Direct Awards:		
National Clean Diesel Emissions Reduction Program	66.039	10,878
Department of Energy		
Direct Awards:		
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	869,580
Department of Education		
Direct Awards:		
Impact Aid	84.041	3,669,090
Fund for the Improvement of Education	84.215	760,944
Passed Through the Commonwealth of Virginia:		
<u>Department of Education</u>		
Adult Education - Basic Grants to States	84.002	1,883,274
Title I Grants to Local Educational Agencies	84.010	19,080,573
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	85,704
Special Education-Grants to States	84.027	32,971,369
Career and Technical Education - Basic Grants to States	84.048	1,642,865
Special Education-Preschool Grants	84.173	825,849
Education for Homeless Children and Youth	84.196	139,046
Twenty-First Century Community Learning Centers	84.287	222,046
Educational Technology State Grants	84.318	11,906
English Language Acquisition State Grants	84.365	4,588,787
Improving Teacher Quality State Grants	84.367	4,195,940
ARRA - School Improvement Grants, Recovery Act	84.388	682,290
<u>Department of Behavioral Health and Developmental Services</u>		
Special Education-Grants for Infants and Families	84.181	1,536,900
Department of Health and Human Services		
Direct Awards:		
PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by 2012 Prevention and Public Health Funds	93.531	554,867
Head Start	93.600	7,837,343
Passed Through the Commonwealth of Virginia:		
<u>Department of the Aging</u>		
Special Programs for the Aging-Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	30,276
Special Programs for the Aging-Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042	127,082
Special Programs for the Aging-Title III, Part D, Disease Prevention and Health Promotion Services	93.043	2,207
Special Programs for the Aging-Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	666,773
Special Programs for the Aging-Title III, Part C, Nutrition Services	93.045	514,355
Special Programs for the Aging-Title IV and Title II, Discretionary Projects	93.048	15,000

COUNTY OF FAIRFAX, VIRGINIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	Expenditures
National Family Caregiver Support, Title III, Part E	93.052	140,121
Nutrition Services Incentive Program	93.053	216,195
ARRA - Communities Putting Prevention to Work: Chronic Disease Self-Management Program	93.725	14,708
Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs - financed by 2012 Prevention and Public Health Funds (PPHF-2012)	93.734	8,412
<u>Department of Health</u>		
Public Health Emergency Preparedness	93.069	205,778
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	115,003
Immunization Cooperative Agreements	93.268	69,920
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	43,852
Maternal and Child Health Services Block Grant to the States	93.994	287,266
<u>Department of Behavioral Health and Developmental Services</u>		
Projects for Assistance in Transition from Homelessness (PATH)	93.150	147,194
Block Grants for Community Mental Health Services	93.958	1,341,596
Block Grants for Prevention and Treatment of Substance Abuse	93.959	3,237,085
<u>Department of Social Services</u>		
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	4,117
Promoting Safe and Stable Families	93.556	25,720
Temporary Assistance for Needy Families	93.558	4,567,254
Refugee and Entrant Assistance-State Administered Programs	93.566	379,297
Low-Income Home Energy Assistance	93.568	323,890
Community Services Block Grant	93.569	491,191
Child Care and Development Block Grant	93.575	408,739
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	1,588,884
Chafee Education and Training Vouchers Program (ETV)	93.599	51,686
Stephanie Tubbs Jones Child Welfare Services Program	93.645	23,333
Foster Care-Title IV-E	93.658	4,041,470
Adoption Assistance	93.659	3,237,923
Social Services Block Grant	93.667	3,178,486
Family Violence Prevention and Services/Battered Women's Shelters-Grants to States and Indian Tribes	93.671	9,263
Chafee Foster Care Independence Program	93.674	50,956
Children's Health Insurance Program	93.767	184,851
Medical Assistance Program	93.778	4,622,419
Passed Through the National Association of County and City Health Officials (NACCHO):		
Medical Reserve Corps Small Grant Program	93.008	2,191
Food and Drug Administration-Research	93.103	8,318

COUNTY OF FAIRFAX, VIRGINIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	Expenditures
Department of Homeland Security		
Direct Awards:		
National Urban Search and Rescue (US&R) Response System	97.025	2,421,642
Assistance to Firefighters Grant	97.044	142,260
Passed Through the Commonwealth of Virginia:		
<u>Department of Emergency Management</u>		
Non-Profit Security Program	97.008	65,650
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	490,198
Emergency Management Performance Grants	97.042	142,846
Interoperable Emergency Communications	97.055	30,584
State Homeland Security Program (SHSP)	97.073	174,650
Repetitive Flood Claims	97.092	23,321
Passed Through the District of Columbia:		
<u>Homeland Security & Emergency Management Agency</u>		
Homeland Security Grant Program	97.067	15,432,624
Agency for International Development		
Direct Awards:		
USAID Foreign Assistance for Programs Overseas	98.001	1,428,742
		<u>264,189,890</u>

COUNTY OF FAIRFAX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards includes all federal grant activity of the County of Fairfax, Virginia (County) and its component units, except that of the discretely presented tax credit partnership component units of the Fairfax County Redevelopment and Housing Authority (FCRHA). The County's reporting entity is defined in Note A, Part 1 of the County's basic financial statements. The schedule has been prepared on the modified accrual basis of accounting as defined in Note A, Part 3 of the County's basic financial statements.

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

The American Recovery and Reinvestment Act of 2009 (Recovery Act) was enacted to promote economic recovery, make investments, and to minimize and avoid reductions in state and local government services. The stimulus dollars are identified in the accompanying schedule as "Recovery Act" or "ARRA".

(2) Non-Cash and Other Programs

Women, Infant and Children (WIC) program vouchers are issued by the Commonwealth of Virginia to eligible County citizens during the year. The value of these vouchers is not included on the accompanying schedule because the Virginia Department of Health determines eligibility for and monitors the WIC program. However, the County's administrative expenditures for the program are included on the accompanying schedule in the Special Supplemental Nutrition Program for Women, Infants and Children Grant (10.557).

The Commonwealth of Virginia Department of Agriculture and Consumer Services (VDACS), Food Distribution Program, administers the United States Department of Agriculture (USDA) donated food program within the Commonwealth of Virginia. USDA provides values for all donated food. For CFDA number 10.555, National School Lunch Program, the County received a net value of donated food in the amount of \$207,502 for the year ended June 30, 2013.

The U.S. Department of Housing and Urban Development (HUD) has insured certain mortgage loan borrowings made by the County through the FCRHA in connection with certain low income housing projects. The loan program is reported under CFDA 14.248, Community Development Block Grant – Section 108 Loan Guarantees, and had outstanding principal due of \$13,435,000 at June 30, 2013.

The FCRHA provides loans to qualified low income borrowers through CFDA 14.239, Home Investment Partnerships Program (HOME), to promote home ownership and provide assistance with down payments and closing costs. The outstanding principal balance of the HOME loans was \$4,175,435 at June 30, 2013. The FCRHA also provides loans to qualified low income homeowners or homeowners living in areas targeted for improvement, resulting in the elimination of health or safety code violations, through CFDA 14.218, Community Development Block Grants/Entitlement

COUNTY OF FAIRFAX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

Grants (CDBG). The outstanding principal balance of the CDBG loans was \$7,988,561 at June 30, 2013.

In addition, the FCRHA held Federal Housing Administration (FHA) - insured mortgage revenue bonds secured by land, buildings, and equipment of \$4,295,000 at June 30, 2013.

The Homeland Security Grant Program (97.067) is granted by the U.S. Department of Homeland Security to enhance the ability of state and local governments to prepare, prevent, respond to, and recover from terrorist attacks and other disasters. Several Washington, DC metropolitan jurisdictions receive funding under this program. In addition to purchasing equipment or supplies for their own jurisdiction, they may purchase these items for surrounding jurisdictions and then transfer, or donate, the items to other jurisdictions per the federal government or pass-through entity's instructions. For the year ended June 30, 2013, Fairfax County purchased and transferred equipment or supplies valued at \$2,456,707 for the Homeland Security Grant Program (97.067) to other jurisdictions.

(3) Totals by Program

Federal programs are awarded to the County either directly by a federal agency or through a pass-through entity. Some programs are received both directly and through a pass-through entity, and some are received through multiple pass-through entities. Additionally, a federal agency may request the County to provide a higher level of detail on the Schedule of Expenditures of Federal Awards, rather than a total by federal catalogue number. The following programs, reported in multiple line items in the accompanying schedule, are totaled here:

Program Title	Number	Program
School Breakfast Program	10.553	\$ 4,765,148
National School Lunch Program	10.555	26,465,594
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	3,556,756
Child and Adult Care Food Program	10.558	5,286,973
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	7,724,813
Resident Opportunity and Supportive Services	14.870	248,109
Crime Victim Assistance	16.575	73,196
Edward Byrne Memorial Justice Assistance Grant Program	16.738	208,030
Job Access - Reverse Commute	20.516	469,390

COUNTY OF FAIRFAX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

(4) Totals by Clusters

Federal programs with different CFDA numbers are defined as a cluster of programs because they are closely related programs that share common compliance requirements as defined by OMB Circular A-133. Of the federal expenditures presented in the Schedule, programs that are parts of a cluster are shown as follows:

Name of Cluster	Programs Title	Federal Catalogue Number	Total by Program
Child Nutrition Cluster	School Breakfast Program	10.553	\$ 4,765,148
	National School Lunch Program	10.555	26,465,594
	Summer Food Service Program for Children	10.559	504,025
	Child Nutrition Cluster Total		31,734,767
SNAP Cluster	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	7,724,813
	SNAP Cluster Total		7,724,813
CDBG - Entitlement Grants Cluster	Community Development Block Grant/Entitlement Grants	14.218	7,104,929
	ARRA - Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)	14.253	254,331
	CDBG - Entitlement Grants Cluster Total		7,359,260
Housing Voucher Cluster	Section 8 Housing Choice Vouchers	14.871	49,819,891
	Housing Voucher Cluster Total		49,819,891
CFP Cluster	Public Housing Capital Fund	14.872	967,751
	CFP Cluster Total		967,751
JAG Program Cluster	Edward Byrne Memorial Justice Assistance Grant Program	16.738	208,030
	JAG Program Cluster Total		208,030
WIA Cluster	WIA Adult Program	17.258	1,489,129
	WIA Youth Activities	17.259	712,784
	ARRA - WIA Dislocated Workers	17.260	79,301
	WIA Dislocated Worker Formula Grants	17.278	1,393,878
	WIA Cluster Total		3,675,092
Highway Planning and Construction Cluster	Highway Planning and Construction	20.205	2,754,480
	Highway Planning and Construction Cluster Total		2,754,480
Transit Services Programs Cluster	Job Access Reverse Commute	20.516	469,390
	Transit Services Programs Cluster Total		469,390

COUNTY OF FAIRFAX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

Name of Cluster	Programs Title	Federal Catalogue Number	Total by Program
Federal Transit Cluster	Federal Transit_Capital Investment Grants	20.500	731,930
Federal Transit Cluster Total			731,930
Highway Safety Cluster	State and Community Highway Safety	20.600	39,471
	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	133,834
	Occupant Protection Incentive Grants	20.602	5,448
Highway Safety Cluster Total			178,753
Title I, Part A Cluster	Title I Grants to Local Educational Agencies	84.010	19,080,573
Title I, Part A Cluster Total			19,080,573
Special Education Cluster (IDEA)	Special Education_Grants to States	84.027	32,971,369
	Special Education_Preschool Grants	84.173	825,849
Special Education Cluster (IDEA) Total			33,797,218
Impact Aid Cluster	Impact Aid	84.041	3,669,090
Impact Aid Cluster Total			3,669,090
Educational Technology State Grants Cluster	Education Technology State Grants	84.318	11,906
Educational Technology State Grants Cluster Total			11,906
School Improvement Grants Cluster	ARRA - School Improvement Grants, Recovery Act	84.388	682,290
School Improvement Grants Cluster Total			682,290
Aging Cluster	Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	666,773
	Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045	514,355
	Nutrition Services Incentive Program	93.053	216,195
Aging Cluster Total			1,397,323
TANF Cluster	Temporary Assistance for Needy Families (TANF) State Programs	93.558	4,567,254
TANF Cluster Total			4,567,254
CCDF Cluster	Child Care and Development Block Grant	93.575	408,739
	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	1,588,884
CCDF Cluster Total			1,997,623
Medicaid Cluster	Medical Assistance Program	93.778	4,622,419
Medicaid Cluster Total			4,622,419

COUNTY OF FAIRFAX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

(5) Subrecipients

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

Program Title	Federal Catalogue Number	Amount Provided to Subrecipients
Community Development Block Grant/Entitlement Grants	14.218	\$ 1,670,043
Shelter Plus Care	14.238	\$ 1,463,906
ARRA - Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)	14.253	\$ 227,619
Adult Education-Basic Grants to States	84.002	\$ 907,261
Community Services Block Grant	93.569	\$ 491,191
Head Start	93.600	\$ 1,590,965
Homeland Security Grant Program	97.067	\$ 44,018

COUNTY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

(1) Summary of Auditors' Results

A. Type of report issued on the financial statements: Unmodified

B. Internal control over financial reporting:

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

Material weakness identified? **None reported**

C. Noncompliance material to financial statements noted? None reported

D. Significant deficiencies in internal control over major programs noted? Yes, finding 2013-01 and 2013-02

E. Material weaknesses in internal control over major programs noted? None reported

F. Type of report issued on compliance for major programs: Unmodified opinions over all major programs audited

G. Any findings which are required to be reported under Section .510(a) of OMB Circular A-133? Yes

H. Major programs are as follows:

- (1) Community Development Block Grant Entitlement Grants Cluster (CFDA #14.218, 14.253 ARRA, 14.254)
- (2) Energy Efficiency and Conservation Block Grant (CFDA #81.128 ARRA)
- (3) Special Education Cluster (CFDA #84.027, 84.173)
- (4) Title II – Improving Teacher Quality (CFDA #84.367)
- (5) Temporary Assistance for Needy Families (CFDA #93.558, 93.714, 93.716)
- (6) Head Start (CFDA #93.600, 93.708)
- (7) Medicaid Cluster (CFDA #93.720, 93.775, 93.777, 93.778)
- (8) Homeland Security Grant Program (CFDA #97.067)
- (9) Housing Choice Vouchers (CFDA #14.871)
- (10) Impact Aid (CFDA #84.041)
- (11) Equitable Sharing Program (CFDA #16.922)
- (12) Adoption Assistance (CFDA #93.659)
- (13) HOME (CFDA #14.239)
- (14) WIA Cluster (CFDA #17.258, 17.259 17.260 ARRA, 17.278)
- (15) School Improvement Grant Cluster (CFDA #84.388 ARRA)
- (16) Community Services Block Grant (CFDA #93.569)

I. Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000

J. Auditee qualified as a low-risk auditee? No

COUNTY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

(2) Findings and Questioned Costs for Federal Awards

Finding 2013-01 – Eligibility

Federal Program

Medicaid Cluster (CFDA #93.720, 93.775, 93.777, 93.778)

Federal Agency

U.S. Department of Health and human Services (DHHS)

Pass-through Entity

Virginia Department of Social Services

ARRA

No

Criteria

The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

42 CFR Section 435.916 and Section M1520.000 of the *Virginia Medicaid Eligibility Manual* states, "A recipient's eligibility must be completely redetermined at least once every 12 months."

Section M0110.400 of the *Virginia Medicaid Eligibility Manual* states,

The [local] agency must maintain case records that contain information necessary to support the facts essential to the determination of initial and continuing eligibility as well as any basis for discontinuing or denying assistance. The case record shall consist of a hard (i.e. paper) record, an electronic record, or a combination of the two. Records of active cases must be maintained for as long as the client receives benefits, while closed records must be maintained for a minimum of three years from the date of closure.

Condition

During testing over beneficiary eligibility for Medicaid, we selected a sample of 40 individuals who were determined to be eligible for Medicaid benefits by the Department of Family Services. Specifically we noted the following:

- For 1 out of the 40 individuals selected for testing, an annual redetermination was not performed by the Department of Family Services. Therefore, we could not determine if the individual remained eligible to receive Medicaid benefits during the period for which no determination was performed.

COUNTY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

- For 1 out of the 40 individuals selected for testing, the Department of Family Services was unable to provide documentation to support that the eligibility determination had been completed as required. Therefore, we could not determine if the individual was eligible to receive Medicaid benefits.

Cause

The Department of Family Services did not consistently adhere to the established policies and procedures requiring that annual eligibility redeterminations be performed and the supporting documentation be maintained.

Effect

Without proper controls over eligibility redeterminations, there is an increased risk that ineligible participants may receive benefits under the Medicaid grant.

Recommendation

We recommend that the Department of Family Services strengthen its' internal controls to ensure that eligibility determinations are performed as required and that policies and procedures are adhered to for the maintenance of case record documentation.

Questioned Costs

None

Related Noncompliance

Noncompliance

Views of Responsible Officials

Management concurs with the finding. Although the Virginia Department of Social Services (VDSS) Medicaid manual indicates all renewals must be completed within 12 months, we have been striving to follow the VDSS Performance Indicator for Medicaid Renewals, which is 97% for each locality.

From July 2012-June 2013, our monthly Performance Indicator for Medicaid Renewals as measured by VDSS averaged 95.76%. We know we did not meet the target compliance rate for Medicaid renewals set forth by VDSS, but we are making every effort to meet their standards and as well as the 100% completion rate set by the federal government.

We have assigned the role of monitoring our timeliness for Medicaid renewals to one manager. Every staff member understands the importance of performing timely renewals. We have refined our work processes to find efficiencies to assist with the increasing Medicaid caseload. However, the caseload continues to rise at a steady rate. The monthly caseload grew from 52,555 in June 2012 to 55,483 in June 2013. No additional staffing resources are available to address the growing workload.

COUNTY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Finding 2013-02 Eligibility

Federal Program

Temporary Assistance for Needy Families (CFDA #93.558, 93.714, 93.716)

Federal Agency

U.S. Department of Health and human Services (DHHS)

Pass-through Entity

Virginia Department of Social Services

ARRA

No

Criteria

The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

The TANF Manual, Section 401.3, states:

Eligibility for TANF recipients must be redetermined on all eligibility factors subject to change at least every 12 months, unless a shorter renewal period is required by SNAP... The month in which the renewal of eligibility is due to be completed is counted from the date of eligibility (include the month of initial eligibility in this computation) and any changes discovered during the review process should be reflected in the following month, unless such changes are prohibited by the time standards.

Condition

During testing over beneficiary eligibility for TANF, we selected a sample of 40 individuals who were determined to be eligible for TANF benefits by the Department of Family Services. Based on our testing, we identified exceptions with 2 of the 40 items tested. Specifically we noted the following:

- For 1 of the individuals selected for testing, the renewal of eligibility was not performed by the Department of Family Services within the 12 month requirement.
- For 1 of the individuals selected for testing, the DFS could not provide support verifying the eligible child was a resident of Virginia and living at home.

COUNTY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Cause

The Department of Family Services did not have adequate controls in place to ensure eligibility determinations were properly completed and that supporting documentation was maintained.

Effect

Without proper controls over eligibility redeterminations or proper completion of the eligibility process, there is an increased risk that ineligible participants may receive benefits under the TANF grant.

Recommendation

We recommend that DFS strengthen its' internal controls to ensure that eligibility determinations are properly performed, and that the underlying supporting documentation is maintained.

Questioned Costs

None

Related noncompliance

None

Views of Responsible Officials

Management concurs with the finding. We are aware that the Virginia Department of Social Services (VDSS) TANF Manual indicates all renewals must be completed within 12 months and we have been striving to follow that standard. Recognizing the importance of completing renewals timely, we have designated one manager whose primary responsibility is to monitor the timeliness for TANF renewals. Additionally, every staff member understands the importance of performing timely renewals.

We also understand the importance of proper documentation for case files. However, both of these tasks are difficult due to the continuous increase in our public assistance caseload. The monthly caseload grew from 80,741 in June 2012 to 84,674 in June 2013. No additional staffing resources are available to address the growing workload.