COUNTY OF ORANGE, VIRGINIA

COMPLIANCE AUDIT PURSUANT TO 2 CFR PART 200 (SINGLE AUDIT REPORT)

YEAR ENDED JUNE 30 2022

PBMares℠

ASSURANCE, TAX & ADVISORY SERVICES

COUNTY OF ORANGE, VIRGINIA

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COMPLIANCE SECTION

COMPLIANCE SECTION

COUNTY OF ORANGE, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
DEPARTMENT OF AGRICULTURE:				
Pass-through payments:				
Department of Social Services:				
SNAP Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Not provided	$ -	$ 557,399
Total SNAP Cluster				557,399
Department of Agriculture:				
Child Nutrition Cluster:				
Commodity Distributions	10.555	Not provided	-	189,377
				189,377
Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	202020N109941	-	890,056
National School Lunch Program	10.555	202020N109941	-	2,016,701
COVID-19 National School Lunch Program	10.555	202020N850341		100,276
				3,007,033
Total Child Nutrition Cluster				3,196,410
Department of Health:				
Child and Adult Care Food Program	10.558	Not provided	-	6,543
Total Department of Agriculture				3,760,352
DEPARTMENT OF DEFENSE:				
Direct payments:				
Department of Defense:				
ROTC Language and Culture Training Grants	12.357		-	32,274
Total Department of Defense				32,274
DEPARTMENT OF THE INTERIOR:				
Direct payments:				
Bureau of Land Management:				
Payments in Lieu of Taxes	15.226		-	7,748
Total Department of the Interior				7,748

COUNTY OF ORANGE, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
DEPARTMENT OF JUSTICE:				
Direct payments:				
Department of Justice:				
Bulletproof Vest Partnership	16.607		$ -	$ 4,236
Pass-through payments:				
Department of Criminal Justice Services:				
Crime Victim Assistance	16.575	Not provided	-	67,477
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Not provided	-	1,544
Total Department of Justice				73,257
DEPARTMENT OF TRANSPORTATION:				
Direct payments:				
Department of Transportation:				
Airport Improvement Program	20.106		-	221,531
Total Department of Transportation				221,531
DEPARTMENT OF THE TREASURY				
Pass-through payments:				
Department of Accounts:				
COVID-19 Coronavirus State Local Fiscal Recovery Fund	21.027	Not provided	4,042,703	5,471,464
Total Department of Transportation			4,042,703	5,471,464
NATIONAL ENDOWMENT FOR THE HUMANITIES				
Pass-through payments:				
Institute of Museum and Library Services:				
COVID-19 Grants to States	45.310	Not provided	-	21,847
Total National Endowment for the Humanities				21,847
DEPARTMENT OF EDUCATION:				
Pass-through payments:				
Department of Education:				
Adult Education - Basic Grants to States	84.002	V002A170047/V002A180047	-	222,136
Title I Grants to Local Education Agencies	84.010	S010A170046/S010180046	-	723,770
Title III Part A Programs Strengthening Institutions	84.031	Not provided		25,696
Special Education Cluster:				
Special Education - Grants to States	84.027A	H027A170107/H027A180107	-	1,009,962
COVID-19 Special Education - Grants to States	84.027X	Not provided	-	108,783
Special Education - Preschool Grants	84.173A	H173A170112/H173A180112	-	37,536
Total Special Education Cluster				1,156,281
Career and Technical Education - Basic Grants to States	84.048	V048A170046/V048A180046	-	95,517
Supporting Effective Instruction State Grant	84.367	S367A170044/S367A180044	-	154,768
Essa Title IV Student Support and Academic Enrichment	84.424	S424A190048	-	14,480
Education Stabilization Fund				
COVID-19 Governor's Emergency Education Relief (GEER) Fund	84.425C	Not provided	-	14,692
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	Not provided	-	1,213,317
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER) McKinney Vento	84.425U	Not provided	-	740
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	Not provided	-	1,718,303
				2,947,052
Total Department of Education				5,339,700

COUNTY OF ORANGE, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Direct payments:				
Department of Health and Human Services:				
Head Start Cluster:				
Head Start	93.600	Not provided	$ -	$ 1,571,530
COVID-19 Head Start	93.600	Not provided	-	42,014
Total Head Start Cluster			-	1,613,544
Pass-through payments:				
Department of Social Services:				
Title IV_E Prevention and Family Services Program	93.472	Not provided	-	3,937
Guardianship Assistance	93.090	Not provided	-	313
Promoting Safe and Stable Families	93.556	Not provided	-	25,985
Temporary Assistance for Needy Families	93.558	Not provided	-	181,954
Refugee and Entrant Assistance - State Administered Programs	93.566	Not provided	-	899
Low-Income Home Energy Assistance	93.568	Not provided	-	27,865
Community-Based Child Abuse Prevention Grant	93.590	Not provided		760
Child Care and Development Fund Cluster:				
Child Care and Development Block Grant	93.575	Not provided	-	405,325
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	Not provided	-	41,095
Total Child Care and Development Fund Cluster				446,420
Chafee Education and Training Vouchers Program (ETV)	93.599	Not provided	-	2,855
Adoption and Legal Guardianship Incentive Payments	93.603	Not provided	-	53
Stephanie Tubbs Jones Child Welfare Services Program	93.645	Not provided	-	469
Foster Care - Title IV-E	93.658	Not provided	-	283,783
Adoption Assistance	93.659	Not provided	-	270,410
Social Services Block Grant	93.667	Not provided	-	241,129
Chafee Foster Care Independence Program	93.674	Not provided	-	9,131
Elder Abuse Prevention Interventions Program	93.747	Not provided		9,977
Children's Health Insurance Program	93.767	Not provided	-	2,983
Medicaid Cluster:				
Medical Assistance Program	93.778	Not provided	-	612,544
Total Medicaid Cluster				612,544
Total Department of Health and Human Services				3,734,251
DEPARTMENT OF HOMELAND SECURITY:				
Direct payments:				
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		-	63,938
Total Department of Homeland Security				63,938
Total Expenditures of Federal Awards			$ 4,042,703	$ 18,726,362

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the County of Orange, Virginia and component unit, Orange County School Board under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

Federal Financial Assistance – The Single Audit Act Amendments of 1996 (Public Law 104-156) and Uniform Guidance define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. Nonmonetary deferral assistance including food commodities is considered federal assistance and, therefore, is reported on the Schedule. Federal financial assistance does not include direct federal cash assistance to individuals.

Direct Payments – Assistance received directly from the Federal government is classified as direct payments on the Schedule.

Pass-through Payments – Assistance received in a pass-through relationship from entities other than the Federal government is classified as pass-through payments on the Schedule.

Major Programs – The Single Audit Act Amendments of 1996 and Uniform Guidance establish the criteria to be used in defining major programs. Major programs for the County of Orange, Virginia and its component units were determined using a risk-based approach in accordance with Uniform Guidance.

Federal Assistance Listing Number – The Assistance Listing is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (Federal Assistance Listing Number which is reflected in the Schedule.

Cluster of Programs – Closely related programs that share common compliance requirements are grouped into clusters of programs. A cluster of programs is considered as one federal program for determining major programs. The following are the clusters administered by the County of Orange, Virginia and its component units: SNAP, Child Nutrition, Head Start, Special Education, Child Care and Development Fund, and Medicaid.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

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

Note 4. Non-Cash Assistance

In addition to amounts reported on the Schedule, the County of Orange, Virginia consumed non-cash assistance in the form of food commodities. Commodities with a fair value of $189,377 at the time received were consumed during the year ended June 30, 2022. These commodities were included in the determination of federal awards expended during the year ended June 30, 2022.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the County of Orange, Virginia's (County) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2022. 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.

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, 2022.

Basis for Opinion in Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards,* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards,* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance we considered to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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

We have audited the financial statements of the County as of and for the year ended June 30, 2022, and have issued our report thereon dated December 15, 2022, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

PBMares, LLP

Harrisonburg, Virginia
December 15, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

Section I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	√ Yes	___ No
Significant deficiencies identified?	√ Yes	___ None Reported
Noncompliance material to financial statements noted?	___ Yes	√ No

Federal Awards

Internal control over major programs:

Material weakness identified?	___ Yes	√ No
Significant deficiencies identified?	___ Yes	√ None Reported

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

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	___ Yes	√ No

Identification of major programs:

Federal Assistance Listing Number	Name of Federal Program or Cluster
21.027	COVID-19 Coronavirus State Local Fiscal Recovery Fund
Education Stabilization Fund	
84.425C	COVID-19 Governor's Emergency Education Relief (GEER) Fund
84.425D	COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund
84.425U	COVID-19 American Rescue Plan – Elementary and Secondary School Emergency Relief (ARP ESSER) McKinney Vento
84.425U	COVID-19 American Rescue Plan – Elementary and Secondary School Emergency Relief (ARP ESSER)
Special Education Cluster	
84.027A	Special Education – Grants to States
84.027X	COVID-19 Special Education – Grants to States
84.173A	Special Education – Preschool Grants
Head Start Cluster	
93.600	Head Start
93.600	COVID-19 Head Start

Dollar threshold used to distinguish between type A and type B programs $750,000

Auditee qualified as low-risk auditee? √ Yes ___ No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

Section II. FINANCIAL STATEMENT FINDINGS

A. Material Weakness in Internal Control

2022-001: Material Weakness Due to Material Restatement

Criteria: The year-end financial statements obtained from the County should be free of significant misstatements.

Condition: Upon auditing the year-end balances of the Business-Type Activities, a material error in the beginning balance of construction in progress from the Landfill Fund was identified.

Context: A material restatement of the prior year ending construction in progress balance for the Landfill Fund was required to properly record construction in progress.

Cause: There was a lack of sufficient review to ensure items noted above were accurately recorded.

Effect: As noted above, the effect of this transaction was to misstate prior year general ledger balances for the Landfill Fund. The necessary restatement was material to the financial statements and was included as an adjustment in order to more accurately represent the financial position of the Business-Type Activities. Failure to record the item noted above is a departure from accounting principles generally accepted in the United States of America.

Recommendation: We recommend the County increase levels of due diligence in maintaining accurate account balances. We also recommend a thorough review of the general ledger and supporting schedules prior to the audit.

Views of Responsible Officials: The auditee agrees with these recommendations and has taken the necessary steps to prevent a recurrence.

B. Significant Deficiency in Internal Control

2022-002: Significant Deficiency Due to Significant Audit Adjustment

Criteria: The year-end financial statements obtained from the School Board should be free of significant misstatements.

Condition: Upon auditing the year-end balances of the School Board, there were instances of significant adjustments identified.

Context: Audit entries were required to properly record construction in progress activity for the School Board. Additionally, reconciliation of construction in progress and other capital asset accounts was not performed on a timely basis.

Cause: There was a lack of sufficient review to ensure items noted above were accurately recorded and reconciled timely.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

Section II. FINANCIAL STATEMENT FINDINGS (Continued)

B. Significant Deficiency in Internal Control (Continued)

2022-002: Significant Deficiency Due to Significant Audit Adjustment (Continued)

Repeat Finding: This is a repeat finding, as the prior year finding was identified as 2021-002.

Effect: As noted above, the effect of these transactions was to misstate year-end general ledger balances for the School Board. The necessary entries above were significant to the financial statements and were included as adjustments in order to more accurately represent the financial position of each of the above. Failure to record the items noted above is a departure from accounting principles generally accepted in the United States of America.

Recommendation: We recommend the School Board increase levels of due diligence in maintaining accurate account balances. We also recommend a thorough review of the general ledger and supporting schedules prior to the audit, including reconciling all capital asset balances earlier in the closing process.

Views of Responsible Officials: The School Board has developed a plan of action to rectify this finding including reconciling construction in progress earlier.

ORANGE COUNTY, VIRGINIA
FINANCE DEPARTMENT

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CORRECTIVE ACTION PLAN
Year Ended June 30, 2022

Identifying Number: 2022-001 Material Weakness Due to Material Restatement

Finding:

Upon auditing the year-end balances of the Business-Type Activities, a material error in the beginning balance of construction in progress was identified requiring restatement of the prior year construction in progress balance for the Landfill Fund.

Corrective Action Taken or Planned:

Management has discussed the issue with appropriate staff as well as instituted a specific procedure to review all construction in progress activities to ensure they are appropriately characterized. The corrective action will be complete by June 30, 2023.

The contact person responsible for the corrective action is Sara Keeler, Finance Director of the County.

Identifying Number: 2022-002 Significant Deficiency Due to Significant Audit Adjustment

Finding:

Upon auditing the year-end balances of the School Board, there were instances of significant audit adjustments identified to properly record construction in progress activity.

Corrective Action Taken or Planned:

The School Board has developed a plan of action to rectify this finding including reconciling construction in progress earlier. The corrective action will be complete by June 30, 2023.

The contact person responsible for the corrective action is Gary Honaker, Chief Financial Officer of Orange County Public Schools.

ORANGE COUNTY, VIRGINIA
FINANCE DEPARTMENT

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2022

A. Significant Deficiency in Internal Control

2021-002: Significant Deficiency Due to Significant Audit Adjustments

Criteria: The year-end financial statements obtained from the County, School Board, and Economic Development Authority should be free of significant misstatements.

Condition: Upon auditing the year-end balances of the County, School Board, and Economic Development Authority, there were instances of significant adjustments identified.

Context: Audit entries were required to properly record capital asset additions for the County, capital asset additions, disposals, and construction in progress activity for the School Board, interest expense, and construction in progress adjustments and sale of land for the Economic Development Authority.

Cause: There was a lack of sufficient review to ensure items noted above were accurately recorded.

Effect: As noted above, the effect of these transactions was to misstate year-end general ledger balances for the County, School Board, and Economic Development Authority. The necessary entries above were significant to the financial statements and were included as adjustments in order to more accurately represent the financial position of each of the above. Failure to record the items noted above is a departure from accounting principles generally accepted in the United States of America.

Recommendation: We recommend the County, School Board, and Economic Development Authority increase levels of due diligence in maintaining accurate account balances. We also recommend a thorough review of the general ledger and supporting schedules prior to the audit.

Views of Responsible Officials:

The County and Economic Development Authority agrees with these recommendations and has taken the necessary steps to prevent a recurrence.

The School Board has developed a plan of action to rectify the prior year findings of maintaining accurate account balance, particularly in the area of construction in progress.