

COUNTY OF LOUDOUN, VIRGINIA

COMPLIANCE REPORTS

For the Year Ended June 30, 2018

And Reports of Independent Auditor

COUNTY OF LOUDOUN, VIRGINIA

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COMPLIANCE REPORTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Loudoun, Virginia (the "County"), as of and for the year ended June 30, 2018, 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 30, 2018. That report recognizes that the County implemented one new accounting standard effective July 1, 2017.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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Tysons Corner, Virginia
November 30, 2018

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

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

Report on Compliance for Each Major Federal Program

We have audited the County of Loudoun, Virginia's (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2018. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on Medical Assistance Program

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding CFDA 93.778 Medical Assistance Program as described in finding number 2018-001 regarding eligibility. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on Medical Assistance Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion on Medical Assistance Program paragraph, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medical Assistance Program for the year ended June 30, 2018.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2018.

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

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-001, which we consider to be a material weakness.

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

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

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated November 30, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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

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

Tysons Corner, Virginia
December 10, 2018



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns* (the “Specifications”), issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Loudoun, Virginia (the “County”), as of and for the year ended June 30, 2018, 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 30, 2018.

Compliance and Other Matters

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

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

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

The results of our tests disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the Specifications, and which are described in the accompanying schedule of findings and questioned costs as items 2018-002 through 2018-004.

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

Purpose of this Report

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

Tysons Corner, Virginia
December 10, 2018

COUNTY OF LOUDOUN, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

<u>Federal Granting Agency/Recipient State Agency/Program Title</u>	<u>Federal Catalog Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Total 2018 Federal Expenditures</u>	<u>Passed Through to Subrecipient</u>
United States Department of Agriculture				
Direct Payments				
Farm to School Grant Program	10.575		\$ 11,798	
Pass Through Payment				
Virginia Department of Juvenile Justice				
National School Lunch Program	10.555		22,573	
Virginia Department of Social Services				
State Administrative Matching Grants for Food Stamp Program	10.561		1,995,122	
Pass through Payment				
Virginia Department of Agriculture				
Food Distribution - Non-cash Commodities-National School Lunch Program	10.555		1,409,079	
Virginia Department of Education				
School Breakfast Program	10.553		1,680,063	
National School Lunch Program	10.555		7,032,659	
SNS Summer Management Workshop	10.560		700	
Total United States Department of Agriculture			12,151,994	
United States Department of Defense				
Direct Payments				
JROTC	12.999		99,548	
Total United States Department of Defense			99,548	

See Notes to Schedule of Expenditures of Federal Awards.

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

FOR THE YEAR ENDED JUNE 30, 2018

<u>Federal Granting Agency/Recipient State Agency/Program Title</u>	<u>Federal Catalog Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Total 2018 Federal Expenditures</u>	<u>Passed Through to Subrecipient</u>
United States Department Of Housing And Urban Development				
Direct Payments				
Community Development Block Grant/Entitlement Grants	14.218		1,445,178	\$ 1,184,894
Supportive Housing Program - Transitional Housing Assistance	14.235		132,186	
Continuum of Care Program	14.267		23,280	
Section 8 Housing Choice Vouchers	14.871		7,150,370	
Mainstream Vouchers	14.879		1,004,012	
Family Self-Sufficiency Program	14.896		67,371	
Pass Through Payment				
Virginia Department of Housing and Community Development				
Community Development Block Grant	14.228		12,701	
Total United States Department Of Housing And Urban Development			9,835,098	\$ 1,184,894
United States Department Of Interior				
Direct Payments				
Payment in Lieu of Taxes	15.226		3,360	
Total United States Department Of Interior			3,360	
United States Department Of Justice				
Direct Payments				
State Criminal Alien Assistance Program	16.606		86,876	
Edward Byrne Memorial JAG	16.738		44,325	
Pass Through Payment				
Virginia Department of Criminal Justice Services				
Title II - JJDP FY17 / Restoration	16.540		55,862	
Edward Byrne Memorial JAG	16.738		59,478	
Total United States Department Of Justice			246,541	

See Notes to Schedule of Expenditures of Federal Awards.

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

FOR THE YEAR ENDED JUNE 30, 2018

<u>Federal Granting Agency/Recipient State Agency/Program Title</u>	<u>Federal Catalog Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Total 2018 Federal Expenditures</u>	<u>Passed Through to Subrecipient</u>
United States Department of Transportation				
Direct Payments				
Transportation Infrastructure Finance and Innovation Act Program	20.223		174,111,839	
Pass Through Payment				
Virginia Department of Motor Vehicles				
State and Community Highway Safety	20.600	SC-2017-57022-6671 SC-2018-58015-8015	28,715	
Alcohol Open Container Requirement	20.607	154-AL-2017-57021-6670 154-AL-2018-58001-8001	41,069	
Virginia Department Of Transportation				
Highway Planning and Construction	20.205	UPC78240 UPC93273 UPC79679	218,955	
Safe Routes to School-Federal thru State	20.205	UPC109873	71,478	
Total United States Department of Transportation			174,472,056	
United States National Endowment for the Arts				
Pass Through Payment				
Virginia Commission For The Arts				
Promotion of the Arts Grants	45.024		690	
Total United States National Endowment for the Arts			690	

See Notes to Schedule of Expenditures of Federal Awards.

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

FOR THE YEAR ENDED JUNE 30, 2018

<u>Federal Granting Agency/Recipient State Agency/Program Title</u>	<u>Federal Catalog Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Total 2018 Federal Expenditures</u>	<u>Passed Through to Subrecipient</u>
United States Department of Education				
Direct Payments				
Impact Aid	84.041		107,774	
Pass Through Payment				
Virginia Department of Behavioral Health and Developmental Services				
Special Education Grants for Infants and Families with Disabilities	84.181		412,647	
Pass through Payments				
Virginia Department of Education				
Adult Education-State Grant Program	84.002		168,581	
Title I - Grants to Local Educational Agencies	84.010		1,840,198	
Title I-State Agency Program for Neglected & Delinquent Children	84.013		241,788	
Special Education - Grants to State	84.027		9,873,046	
Vocational Education Basic Grants to States	84.048		567,681	
Special Education - Preschool	84.173		98,634	
English Language Acquisition Grant	84.365		898,450	
Title II Improving Teacher Quality State Grants	84.367		654,839	
Total United States Department of Education			14,863,638	
United States Department of Health and Human Services				
Direct Payments				
Head Start	93.600		856,333	
Pass Through Payment				
County of Fairfax				
Child Care and Development Block Grant	93.575		79,472	
Chronic Disease Self-Management Education Program	93.734		11,091	
National Association of County and City				
Medical Reserve Corps Small Grant Program	93.008		11,061	

See Notes to Schedule of Expenditures of Federal Awards.

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

FOR THE YEAR ENDED JUNE 30, 2018

<u>Federal Granting Agency/Recipient State Agency/Program Title</u>	<u>Federal Catalog Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Total 2018 Federal Expenditures</u>	<u>Passed Through to Subrecipient</u>
Virginia Department for Aging and Rehab Services				
Special Programs for the Aging Title VII Chapter 3	93.041		1,229	
Special Programs for the Aging -Title III, Part D	93.043		9,585	
Special Programs for the Aging -Title III, Parts B	93.044		102,065	
Special Program for the Aging Title III, Part C-Nutrition Services	93.045		134,768	
National Family Caregiver Support	93.052		36,838	
Nutrition Services Incentive Program	93.053		99,063	
Medicare Enrollment Assistance Program	93.071		15,946	
State Health Insurance Assistance Program	93.324		21,942	
Affordable Care Act State Health Insurance Assistance Program	93.626		2,539	
Virginia Department of Behavioral Health and Developmental Services				
Projects for Assistance in Transition from Homeless (PATH)	93.150		49,113	
Projects of Regional and National Significance	93.243		112,262	
Opioid STR	93.788		11,900	
Block Grants for Community Mental Health Services	93.958		175,411	
Block Grant for Prevention and Treatment of Substance Abuse	93.959		511,475	
Virginia Department of Social Services				
Promoting Safe and Stable Families	93.556		96,691	
Temporary Assistance for Needy Families	93.558		710,380	
Refugee and Entrant Assistance State Administered Program	93.566		23,505	
Low -Income Home Energy Assistance	93.568		62,008	
Child Care Mandatory and Matching Funds of the Child Care and Development Fu	93.596		88,684	
Chafee Education and Training Vouchers Program	93.599		6,883	
Adoption Incentive Payments	93.603		2,694	
Child Welfare Services State Grants	93.645		1,342	
Foster Care-Title IV-E	93.658		976,871	
Adoption Assistance	93.659		492,800	

See Notes to Schedule of Expenditures of Federal Awards.

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

FOR THE YEAR ENDED JUNE 30, 2018

<u>Federal Granting Agency/Recipient State Agency/Program Title</u>	<u>Federal Catalog Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Total 2018 Federal Expenditures</u>	<u>Passed Through to Subrecipient</u>
Social Services Block Grant	93.667		606,096	
Chafee Foster Care Independence Program	93.674		8,856	
State Children's Insurance Program	93.767		73,435	
Medicaid Assistance Program	93.778		1,986,169	
Total United States Department of Health and Human Services			7,378,507	
 United States Office of National Drug Control Policy				
Pass Through Payment				
Mercyhurst University				
High Intensity Drug Trafficking Areas (HIDTA)	95.001	G17WB0004A	7,500	
Total United States Office of National Drug Control Policy			7,500	
 United States Department of Homeland Security				
Direct Payments				
Assistance to Firefighters Grant	97.044		245,233	
Pass Through Payment				
Government Of The District of Columbia				
Homeland Security Grant Program	97.067	16UASI876-01	373,869	
		16UASI876-02		
		16UASI876-03		
		16UASI876-04		
		17UASI876-01		
		17UASI876-02		
		17UASI876-03		
		17UASI876-04		

See Notes to Schedule of Expenditures of Federal Awards.

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

FOR THE YEAR ENDED JUNE 30, 2018

<u>Federal Granting Agency/Recipient State Agency/Program Title</u>	<u>Federal Catalog Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Total 2018 Federal Expenditures</u>	<u>Passed Through to Subrecipient</u>
Metropolitan Washington Council of Governments				
Homeland Security Grant Program	97.067		11,939	
Prince George's County Maryland				
Homeland Security Grant Program	97.067		55,472	
Virginia Department of Emergency Services				
Disaster Grants-Public Assistance	97.036		684,259	
Total United States Department of Homeland Security			1,370,772	
Total Expenditures of Federal Awards			\$ 220,429,704	\$ 1,184,894

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

FOR THE YEAR ENDED JUNE 30, 2018

TOTALS BY CLUSTER

<u>Programs</u>	<u>Federal Catalog Number</u>	<u>Total 2018 Federal Expenditures</u>
National School Lunch Program	10.555	\$ 22,573
National School Lunch Program	10.555	1,409,079
National School Lunch Program	10.555	7,032,659
School Breakfast Program	10.553	1,680,063
Total of Child Nutrition Cluster		\$ 10,144,374
Mainstream Vouchers	14.879	\$ 1,004,012
Section 8 Housing Choice Vouchers	14.871	7,150,370
Total of Housing Choice Voucher Cluster		\$ 8,154,382
Special Education - Grants to State	84.027	\$ 9,873,046
Special Education - Preschool	84.173	98,634
Total of Special Education Cluster		\$ 9,971,680
Child Care and Development Block Grant	93.575	\$ 79,472
Child Care Mandatory and Matching Funds of the CCDF	93.596	88,684
Total of CCDF Cluster		\$ 168,156
Special Programs for the Aging-Title III, Part B	93.045	\$ 134,768
Special Programs for the Aging-Title III, Part C	93.053	99,063
Special Programs for the Aging-Title III, Part D	93.044	102,065
Total of Aging Cluster		\$ 335,896

See Notes to Schedule of Expenditures of Federal Awards.

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

FOR THE YEAR ENDED JUNE 30, 2018

TOTALS BY PROGRAM

Pass-through Agency	Federal Catalog Number	Total 2018 Federal Expenditures
Virginia Department of Agriculture	10.555	\$ 1,409,079
Virginia Department of Education	10.555	7,032,659
Virginia Department of Juvenile Justice	10.555	22,573
	Total for National School Lunch Program (10.555)	\$ 8,464,311
United States Department Of Justice	16.738	\$ 44,325
Virginia Department of Criminal Justice Services	16.738	59,478
	Total for Edward Byrne Memorial Grant (16.738)	\$ 103,803
Virginia Department Of Transportation	20.205	\$ 71,478
Virginia Department Of Transportation	20.205	218,955
	Total for Highway Planning and Construction (20.205)	\$ 290,433
Government of The District of Columbia	97.067	\$ 373,869
Metropolitan Washington Council of Governments	97.067	11,939
Prince George's County Maryland	97.067	55,472
	Total for Homeland Security Grant Program (97.067)	\$ 441,280

COUNTY OF LOUDOUN, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

Note 1—Summary of significant accounting policies

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

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

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

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

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

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

Note 2—Relationship to federal financial reports

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

Note 3—Noncash and other programs

- (a) The County received \$214,626 pass-through property sub-awards under the Homeland Security Grant Program (CFDA 97.067) for the year ended June 30, 2018. Such amounts are reflected in the accompanying Schedule and in the basic financial statements.
- (b) The Community Development Block Grant/Entitlement ("CDBG") (CFDA 14.218) is granted by U.S. Department of Housing and Urban Development ("HUD") to develop viable urban communities by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for persons of low and moderate income. The Loudoun County Home Improvement Program, which is funded by CDBG, provides loans and grants to income eligible homeowners to rehabilitate their homes. For the year ended June 30, 2018, Loudoun County provided \$365 from the repayment fund to the program recipients.
- (c) The Section 8 Housing Choice Vouchers program (CFDA 14.871) is granted by HUD to aid low income families in obtaining decent, safe, and sanitary rental housing. For the year ended June 30, 2018, \$13,628 from program income was provided to clients.
- (d) The Mainstream Vouchers program (CFDA 14.879) is granted by HUD to aid persons with disabilities in obtaining decent, safe, and sanitary rental housing. For the year ended June 30, 2018, \$1,930 from program income was provided to clients.

COUNTY OF LOUDOUN, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2018

Note 3—Noncash and other programs (continued)

- (e) On December 9, 2014, the County and the Economic Development Authority entered into a Transportation Infrastructure Finance and Innovation Act (“TIFIA”) loan agreement under CFDA 20.223 with the U.S. Department of Transportation. This loan will be used to finance the County’s proportionate share (4.8%) of the costs of construction to extend the Washington Metropolitan Area Transit Authority’s mass transit system into the County, not to exceed \$195.1 million. The outstanding balance of the loan as of June 30, 2018 is \$174,111,839.

COUNTY OF LOUDOUN, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2018

(1) Summary of Auditor's Results

- a. The type of report issued on the financial statements: **Unmodified**
- b. Significant deficiencies in internal control disclosed by the audit of the financial statements: **None reported**
- c. Noncompliance which is material to the financial statements: **No**
- d. Significant deficiencies in internal control over major programs: **None reported**
- e. Material weakness in internal control over major programs: **Yes, 2018-001**
- f. The type of report issued on compliance for major programs: **Qualified** for Medical Assistance Program (CFDA Number 93.778); **Unmodified** for other major programs
- g. Any audit findings which are required to be reported under Section 200.516(a) of the Uniform Guidance: **Yes**
- h. Major programs:
 - Housing Choice Voucher Cluster (CFDA Numbers 14.871 and 14.879)
 - Title I Grants to Local Educational Agencies (CFDA Number 84.010)
 - Transportation Infrastructure Finance and Innovation Act (TIFIA) Program (CFDA Number 20.223)
 - Medical Assistance Program (CFDA Number 93.778)
- i. Dollar threshold used to distinguish between Type A and Type B programs: **\$1,389,536**
- j. Auditee qualified as low-risk auditee: **No**

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

None reported.

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

FOR THE YEAR ENDED JUNE 30, 2018

(3) Findings and Questioned Costs Relating to Federal Awards

2018-001: Material Weakness and Compliance Qualification – Eligibility (Repeat Finding – 2017-003)

Program: Medical Assistance Program (CFDA Number 93.778 – U.S. Department of Health and Human Services – Virginia Department of Social Services; Federal Award Number: not available; Federal Award Year: 2018)

Criteria: Per Title 2 Subpart §200.303, “The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

(c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards.

(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.”

Per Subchapter M1520.001 of the Virginia Medical Assistance Eligibility Manual, “An annual review of all of the enrollee's eligibility requirements is called a renewal. A renewal of the enrollee's eligibility must be completed at least once every 12 months. The renewal should be initiated in the 11th month to ensure timely completion of the renewal”.

Condition: During our testing of sixty (60) eligibility determinations, the review of the first eighteen (18) noted the following exceptions:

- We noted for two (2) beneficiaries that the renewal of eligibility for the beneficiary to continue to receive medical assistance was not performed within 12 months of the last determination; thus the beneficiaries continued to receive medical assistance during the period for which eligibility was not determined.
- We noted one (1) beneficiary case file did not contain evidence for proof of citizenship.

Also, per the County's Medicaid Renewal Report as of June 2018, the County had forty-nine (49) Medicaid cases whose eligibility redeterminations were past due (i.e., eligibility had not been verified within the last twelve months).

Due to the exception rate for the first eighteen (18) eligibility determinations reviewed and the status at June 2018 noted above, further testing on the remaining forty-two (42) sample items was not deemed necessary.

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

Effect: The County's noncompliance could result in costs disallowed by the grantor or a reduction in future

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

FOR THE YEAR ENDED JUNE 30, 2018

funding for this program.

Questioned Cost: Undeterminable.

Recommendation: The County should implement a plan to enhance internal controls related to participant eligibility to ensure renewals are occurring on a timely basis and files contain adequate supporting documentation in accordance with the program requirements.

Views of Responsible Officials and Planned Corrective Action:

Responsible Person: Chris Slagle, Program Manager

Estimated Completion: As of October 2018, the agency's timeliness rate for processing redeterminations is 100%, exceeding the state expectation of 97%.

Corrected Action: Effective immediately, the Benefits Unit will implement the following procedures to ensure timely processing and evaluation of Medicaid renewals:

- Weekly Medicaid renewal lists will be reviewed by the Program Manager, and will be disseminated to each worker to ensure workers are aware of renewals required to be completed.
- Direct supervisors will review Medicaid renewal lists on a monthly basis with each worker to ensure they are acting on renewals timely, and will address any situation where a worker is falling behind on this requirement.
- Medicaid renewal lists will be provided to worker two months in advance of their due dates to ensure workers are aware of their workloads, and plan accordingly.
- Staff will be trained on procedures of what to do if a Medicaid renewal has not been successfully completed due to a system error, and stress the importance of acting on those system errors quickly.

Case monitoring procedures will be developed and implemented to regularly review cases for accuracy and timeliness.

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

2018-002: Non-material Noncompliance – Statement of Economic Interests (SOEI) (Repeat Finding – 2017-004)

Condition: One (1) of the twenty-one (21) officials filed the Financial Disclosure Statement prior to the annual filing period.

Criteria: Section 2.2-3115 of the Code of Virginia requires local officials to file a SOEI, Real Estate Disclosure, and Financial Disclosure Statement form with the clerk of the governing body by February 1st or prior to assuming office or taking employment to disclose personal financial interests that may cause conflicts. Additionally, the Council requires that the local official may not sign, date, or submit a disclosure form for the regular annual filing period prior to January 1 each year.

Cause: Lack of controls over the Financial Disclosure Statement to ensure that all statements are filed within the prescribed time constraints.

Effect: Noncompliance may result in action by the Commonwealth.

Questioned Cost: Non-financial finding.

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

FOR THE YEAR ENDED JUNE 30, 2018

Recommendation: Local government officials should complete the Statement of Economic Interest, Real Estate Disclosure forms, and Financial Disclosure Statements in accordance with prescribed requirements.

Views of Responsible Officials and Planned Corrective Action:

Responsible Person: Leo Rogers, County Attorney

Estimated Completion: June 30, 2019

Corrected Action: The County will analyze the process of state filings by local government officials and determine what, if any, controls can be put in place to ensure accurate and timely filing of the Statement of Economic interest forms.

2018-003: Non-material Noncompliance – Social Service Computer Access Request Forms (Repeat Finding – 2017-005)

Condition: One (1) of twelve (12) Social Service workers selected for testing did not have their current/updated Computer Access Request Forms on file.

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

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

Effect: Noncompliance may result in action by the Commonwealth.

Questioned Cost: Non-financial finding.

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

Views of Responsible Officials and Planned Corrective Action:

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

Estimated Completion: May 1, 2019

Corrected Action: A new system will be implemented for access forms that are submitted to add or remove access for workers. Once an access form has been acted on, it will be marked complete along with the date and initials of the Security Officer that processed it. All pending forms will be placed in a folder until it is processed based on the form's effective date. If a form is not acted on immediately because of effective date, etc., it will be placed in a folder and the folder will be checked weekly to ensure that any forms there are acted upon when appropriate.

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

FOR THE YEAR ENDED JUNE 30, 2018

**2018-004: Non-material Noncompliance – Social Service Continuity of Operations Program (“COOP”)
(Repeat Finding – 2017-007)**

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

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

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

Effect: Noncompliance may result in action by the Commonwealth.

Questioned Cost: Non-financial finding.

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

Views of Responsible Officials and Planned Corrective Action:

Responsible Person: Colleen Stiles, Finance Manager

Estimated Completion: June 30, 2019

Corrected Action: Leadership Team members of the Department of Family Services has begun work to develop a COOP plan to address the loss of access to a facility, loss of services dues to reduced workforce, and loss of services due to equipment or system(s) failure. This Team will work with each unit in the Department to analyze the operational needs of the County and the Community it serves to develop a comprehensive COOP plan by June 30, 2019.

COUNTY OF LOUDOUN, VIRGINIA
STATUS OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2018

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

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

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

Status: Finding not repeated in current year.

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

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

Status: Finding not repeated in current year.

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

2017-003: Material Weakness and Compliance Qualification – Medical Assistance Program Eligibility

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

Status: Finding repeated in current year – see 2018-001.

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

2017-004: Non-material Noncompliance – Statement of Economic Interests

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

Status: Finding repeated in current year – see 2018-002.

2017-005: Non-material Noncompliance – Social Services System Access Request Forms

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

Status: Finding repeated in current year – see 2018-003

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

FOR THE YEAR ENDED JUNE 30, 2018

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

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

Status: Finding not repeated in current year.

2017-007: Non-material Noncompliance – Social Service Continuity of Operations Program (“COOP”)

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

Status: Finding repeated in current year – see 2018-004