

# **COUNTY OF LOUDOUN, VIRGINIA**

## **COMPLIANCE REPORTS**

*For the Year Ended June 30, 2019*

*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, 2019, 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 27, 2019.

**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 County'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 County's internal control and compliance. Accordingly, this communication 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, flowing style.

Tysons Corner, Virginia  
November 27, 2019

## **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, 2019. 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 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.

### ***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, 2019.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-001. Our opinion on each major federal program is not modified with respect to this matter.

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 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 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 have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-001, which we consider to be a significant deficiency.

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, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated November 27, 2019, 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.

*Cheryl Behrnt CP*

Tysons Corner, Virginia  
December 4, 2019

**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, 2019, 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 27, 2019.

**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:

<b>Code of Virginia</b>		<b>State Agency Requirements</b>
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		

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 2019-002 through 2019-003.

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.

*Cherry Behrnt CP*

Tysons Corner, Virginia  
December 4, 2019

**COUNTY OF LOUDOUN, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*FOR THE YEAR ENDED JUNE 30, 2019*

<u>Federal Granting Agency/Recipient State Agency/Program Title</u>	<u>Federal Catalog Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Total 2019 Federal Expenditures</u>	<u>Passed Through to Subrecipient</u>
<b>United States Department of Agriculture</b>				
<b>Pass Through Payment</b>				
<b>Virginia Department of Juvenile Justice</b>				
National School Lunch Program	10.555		\$ 13,619	
<b>Virginia Department of Social Services</b>				
State Administrative Matching Grants for Food Stamp Program	10.561		2,024,303	
<b>Pass through Payment</b>				
<b>Virginia Department of Agriculture</b>				
Food Distribution - Non-cash Commodities-National School Lunch Program	10.555		1,368,027	
<b>Virginia Department of Education</b>				
School Breakfast Program	10.553		1,734,561	
National School Lunch Program	10.555		7,444,901	
<b>Total United States Department of Agriculture</b>			<b>\$ 12,585,411</b>	
<b>United States Department of Defense</b>				
<b>Direct Payments</b>				
JROTC	12.999		\$ 86,275	
<b>Total United States Department of Defense</b>			<b>\$ 86,275</b>	
<b>United States Department Of Housing And Urban Development</b>				
<b>Direct Payments</b>				
Community Development Block Grant/Entitlement Grants	14.218		\$ 798,407	\$756,720
Supportive Housing Program - Transitional Housing Assistance	14.235		138,809	
Continuum of Care Program	14.267		25,152	
Section 8 Housing Choice Vouchers	14.871		7,063,729	
Mainstream Vouchers	14.879		1,056,938	
Family Self-Sufficiency Program	14.896		67,421	
<b>Pass Through Payment</b>				
<b>Virginia Department of Housing and Community Development</b>				
Community Development Block Grant	14.228		7,936	
<b>Total United States Department Of Housing And Urban Development</b>			<b>\$ 9,158,392</b>	<b>\$756,720</b>

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, 2019*

<u>Federal Granting Agency/Recipient State Agency/Program Title</u>	<u>Federal Catalog Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Total 2019 Federal Expenditures</u>	<u>Passed Through to Subrecipient</u>
<b>United States Department Of Interior</b>				
<b>Direct Payments</b>				
Payment in Lieu of Taxes	15.226		\$ 3,435	
<b>Total United States Department Of Interior</b>			<b>\$ 3,435</b>	
<b>United States Department Of Justice</b>				
<b>Direct Payments</b>				
Drug Court Discretionary Grant Program	16.585		\$ 37,344	
State Criminal Alien Assistance Program	16.606		319,206	
Edward Byrne Memorial JAG	16.738		41,230	
<b>Pass Through Payment</b>				
<b>Virginia Department of Criminal Justice Services</b>				
Title II - JJDP FY17 / Restoration	16.540		34,527	
Edward Byrne Memorial JAG	16.738		49,088	
<b>Total United States Department Of Justice</b>			<b>\$ 481,395</b>	
<b>United States Department of Transportation</b>				
Transportation Infrastructure Finance and Innovation Act Program	20.223		\$ 195,072,507	
<b>Pass Through Payment</b>				
<b>Virginia Department of Motor Vehicles</b>				
State and Community Highway Safety	20.600	SC-2018-58015-8015 FSC2019-59023-9023	33,390	
Alcohol Open Container Requirement	20.607	154-AL-2018-58001-8001 154-AL-2019-59013-9013	24,138	
<b>Virginia Department Of Transportation</b>				
Highway Planning and Construction	20.205	UPC93273	118,155	
Safe Routes to School-Federal thru State	20.205	UPC79679 UPC109873	74,533	
<b>Total United States Department of Transportation</b>			<b>\$ 195,322,723</b>	

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, 2019

<u>Federal Granting Agency/Recipient State Agency/Program Title</u>	<u>Federal Catalog Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Total 2019 Federal Expenditures</u>	<u>Passed Through to Subrecipient</u>
<b>United States Department of Treasury</b>				
<b>Direct Payments</b>				
Treasury Forfeiture Fund Program	21.016		\$ 48,344	
<b>Total United States Department of Treasury</b>			<b>\$ 48,344</b>	
<b>United States Department of Education</b>				
Impact Aid	84.041		\$ 291,114	
<b>Pass Through Payment</b>				
Special Education_Grants for Infants and Families with Disabilities	84.181		468,842	
<b>Pass through Payments</b>				
<b>Virginia Department of Education</b>				
Adult Education-State Grant Program	84.002		174,691	
Title I - Grants to Local Educational Agencies	84.010		1,590,454	
Title I-State Agency Program for Neglected & Delinquent Children	84.013		28,921	
Special Education - Grants to State	84.027		12,430,708	
Vocational Education_Basic Grants to States	84.048		575,208	
Special Education - Preschool	84.173		213,566	
English Language Acquisition Grant	84.365		822,720	
Title II Improving Teacher Quality State Grants	84.367		668,888	
<b>Total United States Department of Education</b>			<b>\$ 17,265,112</b>	
<b>United States Department of Health and Human Services</b>				
Head Start	93.600		\$ 923,972	
<b>Pass Through Payment</b>				
<b>County of Fairfax</b>				
Child Care and Development Block Grant	93.575		84,069	
<b>Virginia Department for Aging and Rehab Services</b>				
Special Programs for the Aging Title VII Chapter 3	93.041		1,226	
Special Programs for the Aging-Title III, Part D	93.043		13,251	
Special Programs for the Aging-Title III, Parts B	93.044		136,564	
Special Program for the Aging_Title III, Part C-Nutrition Services	93.045		169,683	

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, 2019*

<u>Federal Granting Agency/Recipient State Agency/Program Title</u>	<u>Federal Catalog Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Total 2019 Federal Expenditures</u>	<u>Passed Through to Subrecipient</u>
National Family Caregiver Support	93.052		51,852	
Nutrition Services Incentive Program	93.053		94,544	
Medicare Enrollment Assistance Program	93.071		12,454	
State Health Insurance Assistance Program	93.324		22,845	
<b>Virginia Department of Behavioral Health and Developmental Services</b>				
Projects for Assistance in Transition from Homeless (PATH)	93.150		54,131	
Projects of Regional and National Significance	93.243		102,788	
Opioid STR	93.788		69,060	
Block Grants for Community Mental Health Services	93.958		300,913	
Block Grant for Prevention and Treatment of Substance Abuse	93.959		381,988	
<b>Virginia Department of Social Services</b>				
Promoting Safe and Stable Families	93.556		81,422	
Temporary Assistance for Needy Families	93.558		590,136	
Refugee and Entrant Assistance State Administered Program	93.566		7,446	
Low-Income Home Energy Assistance	93.568		58,826	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		90,236	
Adoption Incentive Payments	93.603		2,330	
Child Welfare Services State Grants	93.645		725	
Foster Care-Title IV-E	93.658		969,524	
Adoption Assistance	93.659		540,489	
Social Services Block Grant	93.667		604,182	
Chafee Foster Care Independence Program	93.674		11,420	
State Children's Insurance Program	93.767		44,570	
Medicaid Assistance Program	93.778		2,229,731	
<b>Total United States Department of Health and Human Services</b>			<b>\$ 7,650,377</b>	

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, 2019*

<u>Federal Granting Agency/Recipient State Agency/Program Title</u>	<u>Federal Catalog Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Total 2019 Federal Expenditures</u>	<u>Passed Through to Subrecipient</u>
<b>United States Office of National Drug Control Policy</b>				
<b>Pass Through Payment</b>				
<b>Mercyhurst University</b>				
High Intensity Drug Trafficking Areas (HIDTA)	95.001	G17WB0004A	\$7,500	
		G19WB0004A		
<b>Total United States Office of National Drug Control Policy</b>			<b>\$ 7,500</b>	
<b>United States Department of Homeland Security</b>				
Assistance to Firefighters Grant	97.044		\$ 1,413,532	
<b>Pass Through Payment</b>				
<b>Government Of The District of Columbia</b>				
Homeland Security Grant Program	97.067	17UASI876-01	354,075	
		17UASI876-02		
		17UASI876-03		
		17UASI876-04		
		18UASI876-01		
		1FBUA6		
		15UASI117-22		
		1FBUA8		
<b>Metropolitan Washington Council of Governments</b>				
Homeland Security Grant Program	97.067	18UASI117-05	364,182	
<b>Northern Virginia Emergency Response System</b>				
Homeland Security Grant Program	97.067	16UASI650-15	86,782	
		17UASI650-02		
<b>Virginia Department of Emergency Services</b>				
Disaster Grants-Public Assistance	97.036		72,630	
<b>Total United States Department of Homeland Security</b>			<b>\$ 2,291,201</b>	
<b>Total Expenditures of Federal Awards</b>			<b>\$ 244,900,165</b>	<b>\$ 756,720</b>

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, 2019*

<u>Programs</u>	<u>Federal Catalog Number</u>	<u>Total 2019 Federal Expenditures</u>
National School Lunch Program	10.555	\$ 13,619
National School Lunch Program	10.555	1,368,027
National School Lunch Program	10.555	7,444,901
School Breakfast Program	10.553	1,734,561
<b>Total of Child Nutrition Cluster</b>		<b>\$ 10,561,108</b>
Section 8 Housing Choice Vouchers	14.871	\$ 7,063,729
Mainstream Vouchers	14.879	1,056,938
<b>Total of Housing Choice Voucher Cluster</b>		<b>\$ 8,120,667</b>
Special Education - Grants to State	84.027	\$ 12,430,708
Special Education - Preschool	84.173	213,566
<b>Total of Special Education Cluster</b>		<b>\$ 12,644,274</b>
Child Care and Development Block Grant	93.575	\$ 84,069
Child Care Mandatory and Matching Funds of the CCDF	93.596	90,236
<b>Total of CCDF Cluster</b>		<b>\$ 174,305</b>
Special Programs for the Aging-Title III, Part D	93.044	\$ 136,564
Special Programs for the Aging-Title III, Part B	93.045	169,683
Special Programs for the Aging-Title III, Part C	93.053	94,544
<b>Total of Aging Cluster</b>		<b>\$ 400,791</b>

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, 2019*

<u>Pass-through Agency</u>	<u>Program</u>	<u>Federal Catalog Number</u>	Total 2019 Federal <u>Expenditures</u>
Virginia Department of Education		10.555	\$ 7,444,901
Virginia Department of Agriculture		10.555	1,368,027
Virginia Department of Juvenile Justice		10.555	13,619
<b>Total for National School Lunch Program (10.555)</b>			<b>\$ 8,826,547</b>
United States Department Of Justice		16.738	\$ 41,230
Virginia Department of Criminal Justice Services		16.738	49,088
<b>Total for Edward Byrne Memorial Grant (16.738)</b>			<b>\$ 90,318</b>
Virginia Department Of Transportation		20.205	\$ 74,533
Virginia Department Of Transportation		20.205	118,155
<b>Total for Highway Planning and Construction (20.205)</b>			<b>\$ 192,688</b>
Northern Virginia Emergency Response System		97.067	\$ 86,782
Metropolitan Washington Council of Governments		97.067	364,182
Government Of The District of Columbia		97.067	354,075
<b>Total for Homeland Security Grant Program (97.067)</b>			<b>\$ 805,039</b>

See Notes to Schedule of Expenditures of Federal Awards.



# COUNTY OF LOUDOUN, VIRGINIA

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2019

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### 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 \$622,303 pass-through property sub-awards under the Homeland Security Grant Program (CFDA 97.067) for the year ended June 30, 2019. 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, 2019, Loudoun County provided \$17,501 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, 2019, \$6,436 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, 2019, \$500 from program income was provided to clients.

**COUNTY OF LOUDOUN, VIRGINIA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**

*FOR THE YEAR ENDED JUNE 30, 2019*

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**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, 2019 is \$203,699,245.

**COUNTY OF LOUDOUN, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

*FOR THE YEAR ENDED JUNE 30, 2019*

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**(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. Material weaknesses in internal control disclosed by the audit of the financial statements: **No**
- d. Noncompliance which is material to the financial statements: **No**
- e. Significant deficiencies in internal control over major programs: **Yes, Finding 2019-001**
- f. Material weakness in internal control over major programs: **No**
- g. The type of report issued on compliance for major programs: **Unmodified**
- h. Any audit findings which are required to be reported under Section 200.516(a) of the Uniform Guidance: **Yes**
- i. Major programs:
  - Transportation Infrastructure Finance and Innovation Act (TIFIA) Program (CFDA Number 20.223)
  - Special Education Cluster (CFDA Numbers 84.027 and 84.173)
  - Medical Assistance Program (CFDA Number 93.778)
- j. Dollar threshold used to distinguish between Type A and Type B programs: **\$1,494,830**
- k. 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, 2019

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### (3) Findings and Questioned Costs Relating to Federal Awards

**2019-001: Significant Deficiency and Non-material Noncompliance – Eligibility  
(Repeat Finding – 2018-001)**

**Program:** Medical Assistance Program (CFDA Number 93.778 – U.S. Department of Health and Human Services – Virginia Department of Social Services; Federal Award Number: not available; Federal Award Year: 2019)

**Criteria:** Per Title 2 Subpart Section 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 the Virginia Medical Assistance Eligibility Manual, certain income levels must be verified to ensure eligibility per program requirements.

**Condition:** During our testing of sixty (60) eligibility determinations, we noted one (1) beneficiary case file did not contain evidence for verification of income.

**Cause:** The income verification step was inadvertently not performed by the case worker when processing the eligibility determination.

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

**Questioned Cost:** Undeterminable.

**Recommendation:** The County should implement a plan to enhance internal controls related to participant eligibility to ensure files contain adequate supporting documentation in accordance with the program requirements.

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

FOR THE YEAR ENDED JUNE 30, 2019

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**Views of Responsible Officials and Planned Corrective Action:**

**Responsible Person:** Chris Slagle, Program Manager.

**Estimated Completion:** January 31, 2020.

**Corrected Action:** The Benefits Unit will implement the following procedures to ensure required verifications needed to determine eligibility are placed in the customer's case record.

- On 11/20/19, training was provided to staff on how to evaluate income for Medicaid applications, and what documents must be housed in DMIS to support the case disposition. Targeted case reviews will be conducted weekly.
- In October and November 2019, training was provided to all staff on how to index required documentation (including income verifications) in the internal electronic storage system to ensure consistent upload to the VaCMS electronic storage system. This will prevent required verifications from being omitted from the case record. This training will also be provided to any new staff onboarded in the future.
- Regular case monitoring will continue with case reviewers including in their review the confirmation that all required verifications successfully uploaded to the VaCMS system.

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

**2019-002: Non-material Noncompliance – Social Service Computer Access Request Forms  
(Repeat Finding – 2018-003)**

**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.

**Condition:** For a sample of thirteen (13) Social Service workers selected for testing, one (1) had access to a system and was not included on the system user report, five (5) had access to a system, but were listed as inactive on the system user report, and one (1) was listed as approved to have access to a system no longer used.

**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.

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

FOR THE YEAR ENDED JUNE 30, 2019

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**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 2020.

**Corrected Action:**

1. Supervisors of workers with state access will carefully review the workers in the local VDSS Annual Review system and ensure that information is correct before they submit their responses.
2. Workers had not accessed the system within a specified time-frame and were in-activated automatically by the state. Access is restored based on worker/supervisor request. No new access form is required by the state to re-activate the workers, unless they have not used it for six months, in which case the state automatically removes access from the employee. The County will continue to monitor when employees leave; however the non-accessing of a system is a state responsibility to inactivate employees.
3. Worker listed in error in local VDSS Annual Review with access to ADAPT. There was no access request form and worker was not entered into ADAPT. This system was retired by the state in phases during April 2019. Retired systems will be removed as a state system choice in the local VDSS Annual Review system.

**2019-003: Non-material Noncompliance – Social Service Terminated Users**

**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 removing access privileges to all Virginia Department of Social Services' systems within three (3) working days of termination.

**Condition:** For a sample of two (2) terminated employees selected for testing, one (1) did not have system access removed within three (3) working days of termination.

**Cause:** System access was not removed within the prescribed timeline.

**Effect:** Noncompliance may result in action by the Commonwealth.

**Questioned Cost:** Non-financial finding.

**Recommendation:** The County should ensure system access is removed within three (3) working days of termination.

**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:** Immediately.

**Corrected Action:** For all employees that are leaving, Human Resources will follow-up with the Program Managers a week prior to their departure date to validate the last day of employment. This will eliminate the delay in notification from the Program Manager's that have employees that leave prior to their end date.

**COUNTY OF LOUDOUN, VIRGINIA**  
**STATUS OF PRIOR AUDIT FINDINGS**

*FOR THE YEAR ENDED JUNE 30, 2019*

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

None reported.

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

**2018-001: Material Weakness and Compliance Qualification – Medical Assistance Program Eligibility**

**Condition:** Testing of the first eighteen (18) case files out of a sample of sixty (60) identified two (2) beneficiaries who continued to receive benefits without a renewal performed within 12 months of the last determination and one (1) beneficiary for which proof of citizenship was not documented.

**Status:** Finding repeated in current year – see 2019-001.

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

**2012-002: Non-material Noncompliance – Statement of Economic Interests**

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

**Status:** Finding not repeated in current year.

**2018-003: Non-material Noncompliance – Social Services System Access Request Forms**

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

**Status:** Finding repeated in current year – see 2019-002.

**2018-004: 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 not repeated in current year.