

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Members of City Council  
City of Manassas, 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 business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Manassas, Virginia (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 30, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. **However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.**

*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. **We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Items 2015-001, 2015-002, and 2015-008 to be material weaknesses.**

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed four instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Items 2015-004 through 2015-007.**

### **City of Manassas, Virginia's Responses to Findings**

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questions costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

### **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.

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
December 30, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
OMB CIRCULAR A-133**

To the Honorable Members of City Council  
City of Manassas, Virginia

**Report on Compliance for Each Major Federal Program**

We have audited the City of Manassas, Virginia's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City'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 City's compliance.

**Opinion on Each Major Federal Program**

**In our opinion, the City 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, 2015.**

## Report on Internal Control Over Compliance

Management of the City 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 City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City'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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. **We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Item 2015-003 to be a material weakness.**

The City'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 City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, according, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
December 30, 2015

**CITY OF MANASSAS, VIRGINIA**

**SUMMARY OF COMPLIANCE MATTERS**

**June 30, 2015**

As more fully described in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the City's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

**STATE COMPLIANCE MATTERS**

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Comprehensive Services Act

Uniform Disposition of Unclaimed Property Act

State Agency Requirements

Education

Social Services

Urban Highway Maintenance

Stormwater Management Program

**FEDERAL COMPLIANCE MATTERS**

*Compliance Supplement for Single Audits of State and Local Governments*

Provisions and conditions of agreements related to federal programs selected for testing.

**CITY OF MANASSAS, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2015**

**A. SUMMARY OF AUDITOR’S RESULTS**

1. The auditor’s report expresses an **unmodified opinion** on the financial statements.
2. **Three material weaknesses** relating to the audit of the financial statements were reported in the Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. **No instances of noncompliance** material to the financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. **One material weakness** relating to the audit of the major federal award programs were reported in the Independent Auditor’s Report on Compliance For Each Major Program and on Internal Control over Compliance Required By *OMB Circular A-133*.
5. The auditor’s report on compliance for the major federal award programs expresses an **unmodified opinion** on all major federal programs.
6. The audit disclosed **one audit finding relating to a major program**.
7. The major programs of the City are:

Name of Program	CFDA #
Child Nutrition Cluster - School Breakfast Program	10.553
Child Nutrition Cluster - National School Lunch Program	10.555
Child Nutrition Cluster - Summer Food Service Program	10.559
Airport Improvement Program	20.106
Special Education: Grants to States	84.027
Special Education – Preschool Grants	84.173

8. The **threshold for** distinguishing Type A programs was **\$414,080**.
9. The City of Manassas was **not** determined to be a low-risk auditee.

CITY OF MANASSAS, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2015

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**2015-001: Accounts Receivable – Enterprise Funds (Material Weakness)**

*Condition:*

A material adjustment was required to eliminate old accounts receivable in several of the enterprise funds.

*Recommendation:*

We recommend the City record all amounts transferred to the “144” account as write-offs in order to avoid overstatement of accounts receivable.

*Management’s Response:*

The auditee concurs with this recommendation.

**2015-002: Capital Assets (Material Weakness)**

*Condition:*

The City began a rigorous process to identify and properly capture capital asset activity in both government activities and business-type activities. As a result of this process, and the current year audit, a number of material adjustments were required to restate beginning net position as well as to reclassify balances between capital asset categories.

*Recommendation:*

We recommend the City continue the procedures they have begun to help identify such issues and proceed with their plan to utilize capital asset tracking functions as part of their forthcoming enterprise resource planning software implementation.

*Management’s Response:*

The auditee concurs with this recommendation.

**CITY OF MANASSAS, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2015**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)**

**2015-008: Airport Transactions (Material Weakness)**

*Condition:*

Material adjustments were required for items in the Airport Fund related to debt not previously recorded, recognition of insurance proceeds revenue related to prior years and accounting for revenue from monthly rental of hangars and leases. The Airport is also subject to unique requirements as promulgated by the Federal Aviation Administration which may have an impact on the financial reporting process.

*Recommendation:*

The City has regular communication with management at the Airport and we recommend the City continue to implement formal processes to ensure that all of the transactions are accurately captured, analyzed and recorded in the financial records on a timely basis.

*Management's Response:*

The auditee concurs with this recommendation.



**CITY OF MANASSAS, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2015**

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

**2015-003: Highway Planning and Construction – CFDA No. 20.205**

*Condition:*

The Highway Planning and Construction program was not properly included in the FY14 Schedule of Expenditures of Federal Awards (SEFA) and therefore not originally tested as part of the FY14 audit. The program was tested at a later date and the FY14 SEFA was reissued.

*Criteria:*

The FY14 Schedule of Expenditures of Federal Awards must contain all expenditures of federal grants.

*Cause:*

The City failed to include expenditures under the grant on the FY14 SEFA due to reimbursement requests not being filed in a timely manner.

*Effect:*

The FY14 SEFA was not complete.

*Context:*

Approximately \$500,000 of federal funding out of approximately \$10,000,000 reported on the corrected FY15 SEFA was missing.

*Recommendation:*

We recommend that the client review the SEFA for errors and that the SEFA be compared to federal revenues and expenditures each year.

*Management's Response:*

The auditee concurs with this recommendation. The FY14 SEFA was reissued with the Highway Planning and Construction program expenditures properly included. The FY14 CAFR was reissued with corrected revenues and expenditures related to this program, as well.

**CITY OF MANASSAS, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2015**

**D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA**

**2015-004: Social Services Access Rights**

*Condition:*

There is not a formalized yearly review of individuals' access rights for VaCMS, ADAPT, OASIS, and EAS.

*Recommendation:*

We recommend that Social Services management review all access rights of individuals for VaCMS, ADAPT, OASIS, and EAS yearly.

*Management's Response:*

The auditee concurs with this recommendation.

**2015-005: Investment Ratings**

*Condition:*

Several corporate bonds fell below Virginia required minimum ratings during the year. These bonds amounted to \$81,211.

*Recommendation:*

We recommend moving funds away from corporate bonds that fall below the Virginia code and to investments that meet the requirements.

*Management's Response:*

The auditee concurs with this recommendation.

**CITY OF MANASSAS, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2015**

**D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA (Continued)**

**2015-006: Commonwealth of Virginia Disclosure Statements**

*Condition:*

One member of City Council did not file a statement of economic interest by the June deadline and an additional seven of the statements were not filed by the December deadline as set forth by the *Code of Virginia*.

One out of eight members of the School Board did not file a statement of economic interest by the June deadline and none of the statements were filed by the December deadline as set forth by the *Code of Virginia*.

*Recommendation:*

Steps should be taken to ensure that these statements are filed by all required individuals in a timely manner.

*Management's Response:*

The auditee concurs with this recommendation.

**2015-007: Public Accounts**

*Condition:*

Funds were placed in an account that was not marked as a public by the financial institute as required by the Virginia Security for Public Deposits Act.

*Recommendation:*

Steps should be taken to ensure that all City funds are maintained in accounts marked as public by the financial institution.

*Management's Response:*

The auditee concurs with this recommendation.

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**CITY OF MANASSAS, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2015**

<b>Federal Granting Agency/Recipient State Agency/Grant Program</b>	<b>Federal CFDA Number</b>	<b>Cluster Expenditures</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Agriculture</b>			
Pass-through payments:			
Department of Education:			
National School Breakfast Program	10.553	\$ 570,673	
National School Lunch Program - Food Donations	10.555	171,542	
National School Lunch Program	10.555	1,878,929	
Summer Food Service Program for Children	10.559	69,383	
Total Child Nutrition Cluster			\$ 2,690,527
Department of Social Services:			
State Administration:			
SNAP Cluster			
Matching Grants for Supplemental Nutrition Assistance Program	10.561		397,317
Total U.S. Department of Agriculture			3,087,844
<b>U.S. Department of Housing and Urban Development</b>			
Pass through payments:			
VHDA and Prince William County			
Section 8 Housing Assistance Payments Program	14.195		189,529
Total U.S. Department of Housing and Urban Development			189,529
<b>U.S. Department of Justice</b>			
Direct payments:			
State Criminal Alien Assistance Program	16.606		35,355
Bulletproof Vest Partnership Program	16.607		4,463
Edward Byrne Memorial Justice Assistance Program	16.738		32,562
Pass through payments:			
Virginia Department of State Police:			
Missing Children's Assistance	16.543		40,000
Total U.S. Department of Justice			112,380
<b>U.S. Department of Transportation</b>			
Direct payments:			
Airport Improvement Program	20.106		5,551,017
Pass-through payments:			
Virginia Department of Transportation			
Highway Planning and Construction	20.205		327,715
Virginia Department of Motor Vehicles			
State and Community Highway Safety Program	20.607		12,569
Total U.S. Department of Transportation			5,891,301
<b>U.S. Department of Education</b>			
Pass-through payments:			
Commonwealth of Virginia Department of Education:			
Title I - Grants to Local Educational Agencies	84.010		1,165,429
Special Education - Grants to States	84.027	1,391,375	
Special Education - Preschool Grants	84.173	29,554	
Total Special Education Cluster:			1,420,929
Career and Technical Education: Basic grants to states	84.048		104,669
English Language Acquisition Grants	84.365		255,892
Improving Teacher Quality State Grants	84.367		100,895
Total U.S. Department of Education			3,047,814
<b>Department of Homeland Security:</b>			
Pass-through Payments:			
Department of Emergency Management:			
Non-Profit Security Program	97.008		10,580
Emergency Management Performance Grants	97.042		4,647
Homeland Security Grant Program	97.067		84,693
Homeland Security Grant Program	97.067		59,590
Total U.S. Department of Homeland Security			159,510

**CITY OF MANASSAS, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**For the Year Ended June 30, 2015**

<u>Federal Granting Agency/Recipient State Agency/Grant Program</u>	<u>Federal CFDA Number</u>	<u>Cluster Expenditures</u>	<u>Federal Expenditures</u>
<b>Department of Health and Human Services:</b>			
Pass-through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556		\$ 10,061
Temporary Assistance to Needy Families	93.558		244,742
Refugee and Entrant Assistance	93.566		13,838
Low Income Home Energy Assistance	93.568		20,626
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		39,449
Child Welfare Services	93.645		1,849
Foster Care - Title IV-E	93.658		296,542
Adoption Assistance	93.659		63,741
Social Service Block Grant	93.667		155,208
Chafee Foster Care Independence Program	93.674		1,512
State Children's Insurance Program	93.767		13,128
Medical Assistance Program	93.778		<u>453,583</u>
Total U.S. Department of Health and Human Services			<u>1,314,279</u>
Total Expenditures of Federal Awards			<u>\$ 13,802,657</u>

**Notes to the Schedule of Expenditures of Federal Awards**

**Note 1: Basis of Presentation**

The accompanying schedule of federal expenditures includes the activity of all federally assisted programs of the City of Manassas, Virginia and is presented on the modified accrual basis of accounting, as described in Note 1 to the County's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on this schedule.

**Note 2: Food Distribution**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.