

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**SINGLE AUDIT**

**JUNE 30, 2015**

# BOARD OF EDUCATION OF ALLEGANY COUNTY

## TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <b><i>GOVERNMENT AUDITING STANDARDS</i></b>	1-3
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	4-7
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	8-10
NOTES TO SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	11
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	12-21
SCHEDULE OF PRIOR AUDIT FINDINGS	22

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

Board of Education of Allegany County  
Cumberland, Maryland

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Board of Education of Allegany County, Maryland (the Board) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Board of Education of Allegany County, Maryland's basic financial statements and have issued our report thereon dated September 28, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Board'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 Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questions costs, that we consider to be significant deficiencies: 2015-001, 2015-002.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Board'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 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 2015-003, 2015-004, 2015-005, and 2015-006.

### **Board of Education of Allegany County, Maryland's Response to Findings**

The Board of Education of Allegany County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 of the effectiveness of the entity's internal control or on compliance. This report is an integral part of the 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.

*Huber, Michaels + Company*

Cumberland, Maryland  
September 28, 2015

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education of Allegany County  
Cumberland, Maryland

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

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

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Board'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 Board'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 Board's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Board 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.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-003, 2015-004, 2015-005, and 2015-006. Our opinion on each major federal program is not modified with respect to these matters.

The Board of Education of Allegany County's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Board'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 Board 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 Board'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 Board's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002 to be significant deficiencies.

The Board of Education of Allegany County's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Board'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 OMB Circular A-133**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Board of Education of Allegany County, Maryland (the Board) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements. We issued our report thereon dated September 28, 2015, 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 basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the 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 basic financial statements taken 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Heber, Michaels + Company*

Cumberland, Maryland  
September 28, 2015

BOARD OF EDUCATION OF ALLEGANY COUNTY  
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015

GRANT NAME	CFDA NUMBER	GRANT NUMBER	GRANT PERIOD	ORIGINAL GRANT	EXPENDITURES
<b>DEPARTMENT OF EDUCATION</b>					
<b>PASS-THROUGH MD DEPARTMENT OF LABOR, LICENSING AND REGULATIONS</b>					
ADULT EDUCATION	84.002	15019939	07/01/14 - 06/30/15	48,049	48,049
ADULT EDUCATION	84.002	15019940	07/01/14 - 06/30/15	12,915	12,915
ADULT EDUCATION	84.002	15019941	07/01/14 - 06/30/15	4,115	4,115
ADULT EDUCATION	84.002	15019942	07/01/14 - 06/30/15	27,561	27,561
ADULT EDUCATION	84.002	15019943	07/01/14 - 06/30/15	16,164	16,164
ADULT EDUCATION	84.002	15019944	07/01/14 - 06/30/15	3,300	3,300
<b>SUBTOTAL ADULT EDUCATION</b>				<b>112,103</b>	<b>112,103</b>
<b>PASS-THROUGH MD STATE DEPARTMENT OF ED.</b>					
TITLE I*	84.010	144491-01	07/01/13 - 06/30/15	2,600,342	137,896
TITLE I*	84.010	145064-02	07/01/13 - 10/31/14	76,000	1,549
TITLE I*	84.010	154341-01	07/01/14 - 06/30/15	120,000	120,000
TITLE I*	84.010	154350-01	07/01/14 - 06/30/16	2,568,326	2,438,636
TITLE I*	84.010	155041-01	07/01/14 - 10/31/15	96,965	88,400
TITLE I*	84.010	155590-01	04/01/15 - 09/30/15	35,490	-
<b>SUBTOTAL TITLE I</b>				<b>5,497,123</b>	<b>2,786,481</b>
<b>PASS-THROUGH MD STATE DEPARTMENT OF ED.</b>					
SPECIAL EDUCATION*	84.027	15019945	03/01/15 - 07/31/15	5,533	599
SPECIAL EDUCATION*	84.027	134880-01	09/27/12 - 08/29/14	195,000	9,209
SPECIAL EDUCATION*	84.027	144215-05	07/01/13 - 09/31/14	59,733	1,247
SPECIAL EDUCATION*	84.027	144270-01	07/01/13 - 09/30/14	2,011,560	72,145
SPECIAL EDUCATION*	84.027	144270-05	07/01/13 - 09/30/14	2,500	698
SPECIAL EDUCATION*	84.027	144270-06	07/01/13 - 09/30/14	86,916	12,303
SPECIAL EDUCATION*	84.027	144270-07	07/01/13 - 09/30/14	90,000	27,202
SPECIAL EDUCATION*	84.027	145246-01	07/01/13 - 08/31/15	20,695	13,721
SPECIAL EDUCATION*	84.027	145269-01	07/01/13 - 08/31/15	15,514	14,018
SPECIAL EDUCATION*	84.027	154193-01	07/01/14 - 09/30/15	2,096,024	2,051,162
SPECIAL EDUCATION*	84.027	154193-02	07/01/14 - 09/30/15	13,756	18,756
SPECIAL EDUCATION*	84.027	154193-05	07/01/14 - 09/30/15	2,500	1,518
SPECIAL EDUCATION*	84.027	154193-06	07/01/14 - 09/30/15	83,810	65,678
SPECIAL EDUCATION*	84.027	154193-07	07/01/14 - 09/30/15	90,000	43,009
SPECIAL EDUCATION*	84.027	154224-02	07/01/14 - 09/30/15	46,211	46,211
SPECIAL EDUCATION*	84.027	155335-01	01/07/15 - 08/31/15	10,125	7,003
SPECIAL EDUCATION*	84.027	155540-01	03/31/15 - 08/31/15	10,484	8,124
SPECIAL EDUCATION - PRESCHOOL GRANTS*	84.027	155540-01	07/01/13 - 09/30/14	7,000	795
SPECIAL EDUCATION - PRESCHOOL GRANTS*	84.173	144215-03	07/01/13 - 09/30/14	69,433	1,024
SPECIAL EDUCATION - PRESCHOOL GRANTS*	84.173	144270-03	07/01/13 - 09/30/14	8,041	2,553
SPECIAL EDUCATION - PRESCHOOL GRANTS*	84.173	144565-02	07/01/13 - 09/30/14	69,427	69,427
SPECIAL EDUCATION - PRESCHOOL GRANTS*	84.173	154193-03	07/01/14 - 09/30/15	492	492
SPECIAL EDUCATION - PRESCHOOL GRANTS*	84.173	154193-04	07/01/14 - 09/30/15	7,000	5,934
SPECIAL EDUCATION - PRESCHOOL GRANTS*	84.173	154224-03	07/01/14 - 09/30/15	10,125	4,635
SPECIAL EDUCATION - PRESCHOOL GRANTS*	84.173	155335-02	01/07/15 - 08/31/15	5,021,879	2,477,465
<b>SUBTOTAL SPECIAL EDUCATION</b>				<b>5,021,879</b>	<b>2,477,465</b>
<b>PASS-THROUGH MD STATE DEPARTMENT OF ED.</b>					
VOCATIONAL EDUCATION	84.048	154656-01	07/01/14 - 06/30/15	119,684	119,684
VOCATIONAL EDUCATION	84.048	154705-01	07/01/14 - 06/30/15	27,671	22,689
<b>SUBTOTAL VOCATIONAL EDUCATION</b>				<b>147,355</b>	<b>142,373</b>

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

[illegible]

BOARD OF EDUCATION OF ALLEGANY COUNTY  
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015

GRANT NAME	CFDA NUMBER	GRANT NUMBER	GRANT PERIOD	ORIGINAL GRANT	EXPENDITURES
PASS-THROUGH MD STATE DEPARTMENT OF ED. NATIONAL SCHOOL LUNCH PROGRAM*	10.555	N/A	07/01/14-06/30/15	N/A	2,116,424
PASS-THROUGH MD STATE DEPARTMENT OF ED. SCHOOL BREAKFAST PROGRAM*	10.553	N/A	07/01/14-06/30/15	N/A	827,554
PASS-THROUGH MD STATE DEPARTMENT OF ED. SUMMER FOOD SERVICE PROGRAM*	10.559	N/A	07/01/14-06/30/15	N/A	18,667
PASS-THROUGH MD STATE DEPARTMENT OF ED. AFTER SCHOOL SNACKS*	10.555	N/A	07/01/14-06/30/15	N/A	1,134
FOOD DONATION*	10.555	N/A	07/01/14-06/30/15	N/A	262,284
SUBTOTAL CHILD NUTRITION CLUSTER				N/A	3,226,063
PASS-THROUGH MD STATE DEPARTMENT OF ED. CHILD NUTRITION DISCRETIONARY GRANTS	10.579	155479-01	07/01/14-09/30/16	29,620	29,620
SUBTOTAL CHILD NUTRITION DISCRETIONARY GRANTS				29,620	29,620
PASS-THROUGH MD STATE DEPARTMENT OF ED. FRESH FRUIT & VEGETABLE PROGRAM	10.582	N/A	07/01/14-06/30/15	N/A	14,537
SUBTOTAL FRESH FRUIT & VEGETABLE PROGRAM				N/A	14,537
PASS-THROUGH FROM APPALACHIAN REGIONAL COMMISSION APPLACHIAN AREA DEVELOPMENT	23.002	15019902	02/14/14 - 09/30/14	140,000	96,947
APPLACHIAN AREA DEVELOPMENT	23.002	15019907	10/01/14 - 06/30/15	34,375	34,375
APPLACHIAN AREA DEVELOPMENT	23.002	15019927	03/01/15 - 09/30/15	150,000	46,311
SUBTOTAL APPALACHIAN AREA DEVELOPMENT				324,375	177,633
Totals				\$ 15,425,160	\$ 11,596,608

**BOARD OF EDUCATION OF ALLEGANY COUNTY**  
**NOTES TO SUPPLEMENTARY SCHEDULE OF EXPENDITURES**  
**OF FEDERAL AWARDS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes all federal grants which had financial activity during fiscal year ended June 30, 2015. This statement has been prepared in accordance with generally accepted accounting principles.

**NOTE 2 - SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133**

All federal awards programs operated by the Board of Education of Allegany County are included in the scope of the OMB Circular A-133 audit.

The Maryland State Department of Education is the Board of Education of Allegany County's oversight agency for the single audit.

**NOTE 3 - FISCAL PERIOD AUDITED**

Single audit testing procedures were performed for program transactions occurring during the fiscal year ended June 30, 2015.

**NOTE 4 - REVENUE RECONCILIATION**

Revenue recognized from federal sources per the schedule of expenditures of federal awards does not include fee for service revenue. Federal revenue from fee for services performed and Medicare D totaled \$2,067,657 for the year ended June 30, 2015.

Total revenue from federal sources per the basic financial statements is \$13,664,265. Total revenue from federal sources per the schedule of expenditures of federal awards is \$11,596,608. The fee for service revenue accounts for the difference.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2015**

**I. SUMMARY OF AUDITORS' RESULTS**

We have issued an unmodified opinion on the basic financial statements.

Our audit disclosed no instances of noncompliance that are material to the financial statements.

We have issued an unmodified opinion on compliance for major programs.

Title I, CFDA number 84.010; Special Education Cluster, CFDA numbers 84.027 and 84.173; Title II, CFDA number 84.367; 21st Century Community Learning Centers, CFDA number 84.287; Race to the Top, CFDA number 84.395; and the Child Nutrition Cluster Programs (National School Lunch, CFDA number 10.555, School Breakfast Program, CFDA number 10.553, and Summer Food Service Program, CFDA number 10.559), were tested as major programs.

The audit of financial statements disclosed significant deficiencies in internal control which is reported in section II.

The audit disclosed findings or questioned costs which are required to be reported under section 510 of OMB Circular A-133 and are reported in section III.

Significant deficiencies in internal control over major programs were disclosed which are required to be reported in accordance with GAGAS and section 510 of the OMB Circular A-133. These significant deficiencies are reported in section III.

The dollar threshold used to distinguish between Type A and Type B programs was \$347,898.

The auditee did not qualify as a low-risk auditee.



**BOARD OF EDUCATION OF ALLEGANY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2015**

II. FINANCIAL STATEMENT FINDINGS

Internal Control Findings

**2015-001 Monitoring of Internal Controls**

Criteria: Management should have a formal system in place to monitor the adequacy and effectiveness of the Board's system of internal controls.

Condition: Management does not have an adequate system in place to provide ongoing or separate evaluations of the effectiveness of the Board's system of internal controls. The current system does not routinely monitor and test the controls in place and is performed by the Finance Department who reports to management.

Context: During our inquiries of management we noted that the Board does not perform on-going evaluations of the system of internal control.

Effect: The Board's system of internal controls may not be designed or operating effectively or as intended. Monitoring of internal controls is essential to provide reasonable assurance that controls will prevent or detect material misstatements in the financial statements in a timely manner.

Cause: The Board does not have an employee independent of the Finance Department who is responsible for monitoring the system of internal controls and who reports directly to the governing Board.

Recommendation: We recommend the Board of Education employ an individual to perform internal audit functions on a periodic basis. The individual should be from outside the finance department and would report directly to the Board Officials.

Views of Responsible Officials and Planned Corrective Action: At this time, due to budget constraints, the Board does not plan to implement an internal audit/monitoring function.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2015**

II. FINANCIAL STATEMENT FINDINGS - continued

**Internal Control Findings - continued**

**2015-002 Effectiveness of Internal Controls**

Criteria: In accordance with the Board of Education's internal control policies, all invoices are to be approved by the appropriate personnel prior to submission for payment.

Condition: An invoice was not approved by the Supervisor of Federal Programs prior to payment.

Context: During our internal control testing, we discovered that one (1) invoice out of forty (40) tested was not approved by the Supervisor of Federal Programs prior to submission for payment.

Effect: The cost associated with the invoice could be disallowed.

Cause: The invoice in question was either overlooked or the supervisor was not available to sign his approval when the invoice needed to be paid.

Recommendation: We recommend that no invoices be paid without first obtaining the proper authorizations. We also recommend that a system be implemented to ensure that invoices are approved prior to payment.

Views of Responsible Officials and Planned Corrective Action: The Supervisor of Federal Programs and the Chief Business Officer agreed with our recommendation.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2015**

II. FINANCIAL STATEMENT FINDINGS - continued

**Compliance Findings**

**2015-003 Compliance with the Requirements of the Davis-Bacon Act**

Criteria: The wage rate requirements of the Davis-Bacon Act were not applied to the installation of wireless technology.

Condition: Per the Compliance Supplement, Race to the Top funds are subject to the wage rate requirements of the Davis-Bacon Act if they are used for construction purposes. The definition of construction includes “modernization, renovation, or repair”. The term “modernization, renovation, or repair” is defined as including “altering, remodeling, repairing, or retrofitting an existing facility. An electrical contractor was hired to install computer cables and wireless routers. Depending on the nature of the project, permissible activities might involve work related to...upgrading facilities to support new programs or services”. (Source: *Guidance on the State Fiscal Stabilization Fund Program* issued by the U.S. Department of Education.) Installation of wireless technology falls into this category.

Context: During compliance testing of the Race to the Top grant, it was discovered that the wage rate requirements of the Davis-Bacon Act were not applied to the installation of wireless technology.

Effect: The costs of the installation of wireless technology could be disallowed.

Cause: The Board of Education did not consider the installation of wireless technology to be construction and consequently subject to the wage rate requirements of the Davis-Bacon Act.

Recommendation: We recommend that the Board of Education work with the contractor hired to install the wireless technology to retroactively obtain the required documentation. We also recommend that the Board of Education become familiar with the definitions associated with the Davis-Bacon Act in order to prevent similar situations in the future.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2015**

II. FINANCIAL STATEMENT FINDINGS - continued

Compliance Findings - continued

**2015-003 Compliance with the Requirements of the Davis-Bacon Act - continued**

Views of Responsible Officials and Planned Corrective Action: The Board of Education disagrees that the installation of portable wireless access points would be subject to the requirements of the Davis-Bacon Act. Portable wireless access points by their very nature are designed to be easily moved and therefore the Board does not view this as a construction project since the real property was not modified. Installation of portable wireless access points is a professional service. The portable wireless access points supplemented existing access points and did not result in additional or new educational programs. Race to the Top funds were awarded to the system over a four year period by the Maryland State Department of Education. Projects for the funding were approved in advance of receiving the funds. Once approved, there were monthly updates given to the Maryland State Department of Education as well as required quarterly financial reports that required reporting specifically on infrastructure projects. The Maryland State Department of Education also made annual site visits to the school system. No such finding was made in two prior fiscal years of using Race to the Top funds. Other school systems in Maryland used Race to the Top funds for the same or similar projects and did not view the Davis-Bacon Act as applicable to the projects. The Maryland State Department of Education has been consulted on applying the Davis-Bacon Act to the installation of portable wireless access points. At this time, no response has been received.

**2015-004 Compliance with Reporting Requirements**

Criteria: The Maryland State Department of Education (MSDE) requires subrecipients to provide interim progress reports periodically throughout the grant year with specific due dates depending on the grant.

Condition: The filing deadline was not met.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2015**

II. FINANCIAL STATEMENT FINDINGS - continued

**Compliance Findings - continued**

**2015-004 Compliance with Reporting Requirements - continued**

Context: During compliance testing of the Title II grant, it was discovered that one progress report was not filed timely.

Effect: At this time, the effect of not filing the progress report timely has not been determined. The Board of Education has not received any notification from MSDE regarding this issue.

Cause: The interim progress report was not filed timely due to various factors including the timing of Notices of Grant Awards and late changes to grant amounts.

Recommendation: We recommend that the Board of Education be more cognizant of the reporting deadlines and strive to meet said deadlines in a timely manner.

Views of Responsible Officials and Planned Corrective Action: The Title II Assistant Supervisor and Chief Business Officer agreed with our recommendation.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2015**

II. FINANCIAL STATEMENT FINDINGS - continued

**Compliance Findings - continued**

**2015-005 Compliance with Allowable Costs/Cost Principles**

Criteria: Per OMB Circular A-87, “costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events meals, lodging, rentals, transportation, and gratuities)” cannot be charged to federal programs.

Condition: An invoice for a conference, which is an allowable cost, included a separate fee for an optional concert.

Context: During our internal control testing, we discovered that one (1) invoice out of forty (40) tested included entertainment costs.

Effect: The cost associated with the invoice could be disallowed.

Cause: When the invoice was approved and processed for payment, the total cost was charged to the Title I grant. The entertainment costs were considered part of the conference and were not charged separately despite being differentiated on the invoice.

Recommendation: We recommend that more diligence be exhibited when approving invoices to ensure that only allowable costs are charged to the grant. We also recommend that supervisors be made aware of what costs are considered disallowed costs.

Views of Responsible Officials and Planned Corrective Action: The Supervisor of Federal Programs and the Chief Business Officer agreed with our recommendation.



**BOARD OF EDUCATION OF ALLEGANY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2015**

II. FINANCIAL STATEMENT FINDINGS - continued

**Compliance Findings – continued**

**2015-006 Compliance with Time and Effort Requirements**

Criteria: Per OMB Circular A-133, an employee who works on a single federal award must furnish a semi-annual certification that he or she has been engaged solely in activities related to the award. The certification must be signed by an employee or supervisory official with first-hand knowledge of the work performed by the employee.

Condition: Semi-annual certifications were missing for one employee.

Context: During our internal control testing, we discovered that semi-annual certifications were not obtained for one employee.

Effect: The cost of the employee's salary and benefits could be disallowed.

Cause: Payroll for this employee was recorded to the grant via journal entry rather than through the payroll system. As such, he was missed during the search of payroll records to determine which employees were required to provide semi-annual certifications.

Recommendation: We recommend that the process used to determine which employees will be required to provide semi-annual certifications be broadened to include those salaries charged to the grant via journal entry.

Views of Responsible Officials and Planned Corrective Action: The Supervisor of Special Education and Chief Business Officer agree with our recommendation. Semi-annual certifications for the employee in question were obtained retroactively.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2015**

**III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

**Internal Control Findings**

**2015-001 Monitoring of Internal Controls over Federal Awards**

Federal Programs: All Major Programs

As discussed in finding 2015-001 in the internal control section of section II, the Board does not have an adequate system in place to provide ongoing or separate evaluations of the effectiveness of the Board's system of internal control. No questioned costs were noted.

**2014-002 Effectiveness of Internal Controls**

Federal Programs: CFDA #84.010 Title I

As discussed in finding 2015-002 in the internal control section of section II, an invoice was paid without the proper approvals. The invoice was subsequently approved. No questioned costs were noted.

**Compliance Findings**

**2015-003 Compliance with the Requirements of the Davis-Bacon Act**

Federal Programs: CFDA #84.395 Race to the Top

As discussed in finding 2015-003 in the compliance section of section II, the wage rate requirements of the Davis-Bacon Act were not considered with respect to the installation of wireless technology. Questioned costs of \$51,280 were noted.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2015**

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS – continued

**Compliance Findings - continued**

**2015-004 Compliance with Reporting Requirements**

Federal Programs: CFDA #84.367 Title II

As discussed in finding 2015-004 in the compliance section of section II, the reporting requirements as mandated by the Maryland State Department of Education (MSDE) were not met. No questioned costs were noted.

**2015-005 Compliance with Allowable Costs/Cost Principles**

Federal Programs: CFDA #84.010 Title I

As discussed in finding 2015-005 in the compliance section of section II, disallowed costs for entertainment were charged to the grant. Questioned costs of \$20 were noted.

**2015-006 Compliance with Time and Effort Requirements**

Federal Programs: CFDA #84.027, #84.173 Special Education Cluster

As discussed in finding 2015-006 in the compliance section of section II, semi-annual certifications were not obtained for one employee. No questioned costs were noted.

**BOARD OF EDUCATION  
BOARD OF EDUCATION OF ALLEGANY COUNTY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
June 30, 2015**

08-01     Monitoring of Internal Controls

All Major Programs

Finding: Management does not have an adequate system in place to provide ongoing or separate evaluations of the effectiveness of the Board's system of internal controls. The current system does not routinely monitor and test the controls in place and is performed by the Finance Department who reports to management.

Current Status: The Board has not implemented an internal audit/monitoring function.

2014-002   Effectiveness of Internal Controls

Child Nutrition Cluster   CFDA No. 10.553, 10.555, 10.559

Finding: An invoice was not approved by the Assistant Supervisor of Food and Nutrition Services prior to payment.

Current Status: The invoice was retroactively approved by the Assistant Supervisor of Food and Nutrition Services and the finding has been eliminated for this federal program.

2014-003   Compliance with the Requirement of the Davis-Bacon Act

Race to the Top   CFDA No. 84.395

Finding: The provisions of the Davis-Bacon Act were not applied to services provided by an electrical contractor related to the installation of wireless technology.

Current Status: This continues to be a finding (See 2015-003) as the Board of Education does not agree that the provisions of the Davis-Bacon Act apply to the work performed.