

BOARD OF EDUCATION OF ALLEGANY COUNTY

SINGLE AUDIT

JUNE 30, 2014

BOARD OF EDUCATION OF ALLEGANY COUNTY

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**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, 2014, 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 30, 2014.

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: 2014-001, 2014-002.

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 would 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 item 2014-003.

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.

A handwritten signature in black ink that reads "Huber, Michaels & Company". The signature is written in a cursive, flowing style with a long horizontal line extending from the end of the word "Company".

Cumberland, Maryland
September 30, 2014

**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, 2014. 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, 2014.

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 item 2014-003. 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.

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies: 2014-003.

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, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements. We issued our report thereon dated September 30, 2014, 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 30, 2014

BOARD OF EDUCATION OF ALLEGANY COUNTY
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

GRANT NAME	CFDA NUMBER	GRANT NUMBER	GRANT PERIOD	ORIGINAL GRANT	EXPENDITURES
DEPARTMENT OF EDUCATION					
PASS-THROUGH MD DEPARTMENT OF LABOR, LICENSING AND REGULATIONS					
ADULT EDUCATION	84.002	14019944	07/01/13 - 06/30/14	37,028	37,028
ADULT EDUCATION	84.002	14019945	07/01/13 - 06/30/14	13,464	13,464
ADULT EDUCATION	84.002	14019946	07/01/13 - 06/30/14	4,121	4,121
ADULT EDUCATION	84.002	14019947	07/01/13 - 06/30/14	27,415	27,415
ADULT EDUCATION	84.002	14019948	07/01/13 - 06/30/14	14,031	14,031
ADULT EDUCATION	84.002	14019950	07/01/13 - 06/30/14	750	750
ADULT EDUCATION	84.002	14019951	07/01/13 - 06/30/14	2,949	2,949
ADULT EDUCATION	84.002	14019952	07/01/13 - 06/30/14	1,531	1,531
SUBTOTAL ADULT EDUCATION				101,289	101,289
PASS-THROUGH MD STATE DEPARTMENT OF ED.					
TITLE I*	84.010	134386-01	07/01/12 - 06/30/14	2,627,012	87,287
TITLE I*	84.010	144491-01	07/01/13 - 06/30/15	2,600,342	2,462,446
TITLE I*	84.010	145064-02	07/01/13 - 10/31/14	76,000	74,451
SUBTOTAL TITLE I				5,303,354	2,624,184
PASS-THROUGH MD STATE DEPARTMENT OF ED.					
SPECIAL EDUCATION*	84.027	134258-01	07/01/12 - 09/30/13	2,141,940	35,141
SPECIAL EDUCATION*	84.027	134258-06	07/01/12 - 09/30/13	2,500	267
SPECIAL EDUCATION*	84.027	134258-08	07/01/12 - 09/30/13	62,192	14,744
SPECIAL EDUCATION*	84.027	134880-01	09/27/12 - 08/29/14	195,000	146,802
SPECIAL EDUCATION*	84.027	144215-02	07/01/13 - 09/30/14	13,561	13,561
SPECIAL EDUCATION*	84.027	144215-05	07/01/13 - 09/31/14	59,733	58,486
SPECIAL EDUCATION*	84.027	144270-01	07/01/13 - 09/30/14	2,011,560	1,939,415
SPECIAL EDUCATION*	84.027	144270-02	07/01/13 - 09/30/14	31,603	31,603
SPECIAL EDUCATION*	84.027	144270-05	07/01/13 - 09/30/14	2,500	1,802
SPECIAL EDUCATION*	84.027	144270-06	07/01/13 - 09/30/14	86,916	74,613
SPECIAL EDUCATION*	84.027	144270-07	07/01/13 - 09/30/14	90,000	59,074
SPECIAL EDUCATION*	84.027	144271-01	07/01/13 - 08/31/14	61,410	61,410
SPECIAL EDUCATION*	84.027	145080-01	07/01/13 - 06/30/14	483	483
SPECIAL EDUCATION*	84.027	145080-02	07/01/13 - 06/30/14	7	7
SPECIAL EDUCATION*	84.027	145246-01	07/01/13 - 08/31/15	20,695	6,974
SPECIAL EDUCATION*	84.027	145269-01	07/01/13 - 08/31/15	15,514	1,496
SPECIAL EDUCATION - PRESCHOOL GRANTS*	84.173	134517-03	07/01/12 - 09/30/13	9,688	1,098
SPECIAL EDUCATION - PRESCHOOL GRANTS*	84.173	144215-03	07/01/13 - 09/30/14	7,900	6,205
SPECIAL EDUCATION - PRESCHOOL GRANTS*	84.173	144270-03	07/01/13 - 09/30/14	69,435	68,409
SPECIAL EDUCATION - PRESCHOOL GRANTS*	84.173	144270-04	07/01/13 - 09/30/14	486	486
SPECIAL EDUCATION - PRESCHOOL GRANTS*	84.173	144271-02	07/01/13 - 08/31/14	712	712
SPECIAL EDUCATION - PRESCHOOL GRANTS*	84.173	144565-02	07/01/13 - 09/30/14	8,041	5,488
SUBTOTAL SPECIAL EDUCATION				4,890,974	2,528,276
PASS-THROUGH MD STATE DEPARTMENT OF ED.					
VOCATIONAL EDUCATION	84.048	144652-01	07/01/13 - 06/30/14	129,173	129,173
VOCATIONAL EDUCATION	84.048	144653-01	07/01/13 - 06/30/14	37,355	37,355
SUBTOTAL VOCATIONAL EDUCATION				166,528	166,528

BOARD OF EDUCATION OF ALLEGANY COUNTY
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

GRANT NAME	CFDA NUMBER	GRANT NUMBER	GRANT PERIOD	ORIGINAL GRANT	EXPENDITURES
PASS-THROUGH MD STATE DEPARTMENT OF ED. S.E. - GRANTS FOR INFANTS & FAM. WITH DIS. SUBTOTAL GRANTS FOR INFANTS & FAM WITH DIS.	84.181	144215-01	07/01/13 - 09/30/14	78,712 78,712	77,279 77,279
PASS-THROUGH MD STATE DEPARTMENT OF ED. 21ST CENTURY COMMUNITY LEARNING CENTERS* 21ST CENTURY COMMUNITY LEARNING CENTERS* 21ST CENTURY COMMUNITY LEARNING CENTERS* 21ST CENTURY COMMUNITY LEARNING CENTERS* SUBTOTAL 21ST CENTURY COMMUNITY LEARNING CENTERS	84.287 84.287 84.287 84.287	134725-01 134811-01 144877-01 144934-01	07/01/12 - 08/31/13 07/01/12 - 08/31/13 07/01/13 - 08/31/14 07/01/13 - 08/31/14	350,000 340,000 297,500 358,339 1,345,839	23,415 5,090 289,155 353,883 671,543
PASS-THROUGH MD STATE DEPARTMENT OF ED. MATH AND SCIENCE PARTNERSHIPS MATH AND SCIENCE PARTNERSHIPS MATH AND SCIENCE PARTNERSHIPS SUBTOTAL MATH AND SCIENCE PARTNERSHIPS	84.366 84.366 84.366	125689-01 145099-01 145338-01	04/01/12 - 09/30/13 01/01/14 - 06/30/15 01/01/14 - 06/30/14	310,820 70,000 1,800 382,620	67,220 4,612 1,800 73,632
PASS-THROUGH MD STATE DEPARTMENT OF ED. TITLE II - IMPROVING TEACHER QUALITY* TITLE II - IMPROVING TEACHER QUALITY* TITLE II - IMPROVING TEACHER QUALITY* SUBTOTAL TITLE II	84.367 84.367 84.367	134882-02 134990-01 144758-01	07/01/12 - 06/30/14 09/01/12 - 09/30/13 07/01/13 - 06/30/15	657,713 50,943 634,436 1,343,092	63,183 15,835 461,890 540,908
PASS-THROUGH MD STATE DEPARTMENT OF ED. RACE TO THE TOP** RACE TO THE TOP** RACE TO THE TOP** RACE TO THE TOP** RACE TO THE TOP** RACE TO THE TOP** RACE TO THE TOP** RACE TO THE TOP** RACE TO THE TOP** RACE TO THE TOP** RACE TO THE TOP** SUBTOTAL RACE TO THE TOP	84.395 84.395 84.395 84.395 84.395 84.395 84.395 84.395 84.395 84.395 84.395	115740-01 115740-02 115740-03 115740-04 115740-05 135297-01&02 144090-01 144935-01 146175-01 145318-01 145347-01 145347-02	08/25/10 - 09/30/13 08/25/10 - 09/30/13 08/25/10 - 09/30/13 08/25/10 - 09/30/13 08/25/10 - 09/30/13 04/01/13 - 09/30/13 07/01/13 - 06/30/14 10/11/13 - 09/30/14 02/01/14 - 09/21/14 07/01/13 - 06/30/14 05/01/14 - 09/30/14 05/01/14 - 09/30/14	1,122,548 296,033 162,289 130,672 3,233 71,210 35,000 98,306 119,649 2,500 41,221 1,500 2,084,161	435,797 35,929 53,103 46,262 - 61,308 35,000 10,681 119,649 2,500 3,412 808 804,449
PASS-THROUGH FROM MD STATE DEPARTMENT OF ED. RACE TO THE TOP - EARLY LEARNING CHALLENGE RACE TO THE TOP - EARLY LEARNING CHALLENGE SUBTOTAL RACE TO THE TOP - EARLY LEARNING CHALLENGE	84.412 84.412A	135180-01 145134-01	10/01/12 - 06/30/14 01/01/14 - 06/30/15	20,000 25,047 45,047	18,249 2,862 21,111
PASS-THROUGH ALLEGANY COUNTY DEPARTMENT OF SOCIAL SERVICES VEHICLE REPAIR PROGRAM SUBTOTAL VEHICLE REPAIR PROGRAM	93.558	14015911	07/01/13 - 06/30/14	45,571 45,571	45,571 45,571
PASS-THROUGH FROM MD STATE DEPARTMENT OF ED. ARRA - HEAD START, RECOVERY SUBTOTAL ARRA - HEAD START, RECOVERY	93.708	135801-01	12/01/12 - 08/31/13	3,000 3,000	970 970

BOARD OF EDUCATION OF ALLEGANY COUNTY
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

GRANT NAME	CFDA NUMBER	GRANT NUMBER	GRANT PERIOD	ORIGINAL GRANT	EXPENDITURES
PASS-THROUGH FROM ALLEGANY COUNTY HEALTH DEPARTMENT BLOCK GRANT FOR PREVENTION & TREATMENT OF SUBSTANCE ABUSE	93.959	1401905	01/01/14 - 06/01/14	5,000	5,000
SUBTOTAL BLOCK GRANT FOR PREVENTION & TREATMENT OF SUBSTANCE ABUSE				5,000	5,000
PASS-THROUGH MD STATE DEPARTMENT OF ED. NATIONAL SCHOOL LUNCH PROGRAM*	10.555	N/A	07/01/13-06/30/14	N/A	2,049,312
PASS-THROUGH MD STATE DEPARTMENT OF ED. SCHOOL BREAKFAST PROGRAM*	10.553	N/A	07/01/12-06/30/13	N/A	822,994
PASS-THROUGH MD STATE DEPARTMENT OF ED. SUMMER FOOD SERVICE PROGRAM*	10.559	N/A	07/01/12-06/30/13	N/A	19,960
PASS-THROUGH MD STATE DEPARTMENT OF ED. AFTER SCHOOL SNACKS*	10.555	N/A	07/01/12-06/30/13	N/A	826
FOOD DONATION*	10.555	N/A	07/01/12-06/30/13	N/A	250,597
SUBTOTAL CHILD NUTRITION CLUSTER				N/A	3,143,689
PASS-THROUGH MD STATE DEPARTMENT OF ED. FRESH FRUIT & VEGETABLE PROGRAM	10.582	N/A	07/01/12-06/30/13	N/A	14,650
SUBTOTAL FRESH FRUIT & VEGETABLE PROGRAM				N/A	14,650
PASS-THROUGH FROM APPALACHIAN REGIONAL COMMISSION APPALACHIAN AREA DEVELOPMENT	23.002	14019901	07/01/13-12/31/13	13,560	13,560
APPALACHIAN AREA DEVELOPMENT	23.002	14019929	07/01/13-06/30/14	5,430	5,430
SUBTOTAL APPALACHIAN AREA DEVELOPMENT				18,990	18,990
Totals				\$ 15,814,177	\$ 10,838,069

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, 2014. 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, 2014.

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 \$1,779,320 for the year ended June 30, 2014.

Total revenue from federal sources per the basic financial statements is \$12,617,389. Total revenue from federal sources per the schedule of expenditures of federal awards is \$10,838,069. 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, 2014

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 \$325,142.

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, 2014

II. FINANCIAL STATEMENT FINDINGS

Internal Control Findings

2014-001 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. In addition, in testing the ethics, conflict of interest, policy of the Board, there were instances of non-compliance found.

Effect: The Board's system of internal controls may not be 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 a budget constraint, 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, 2014

II. FINANCIAL STATEMENT FINDINGS - continued

Internal Control Findings - continued

2014-002 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 Assistant Supervisor of Food & Nutrition Services 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 Assistant Supervisor of Food & Nutrition Services prior to submission for payment.

Effect: The cost associated with the invoice could be disallowed. The invoice was subsequently approved for payment.

Cause: The invoice in question was either overlooked or the assistant 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.

Views of Responsible Officials and Planned Corrective Action: The Assistant Supervisor of Food & Nutrition Services 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, 2014

II. FINANCIAL STATEMENT FINDINGS - continued

Compliance Findings

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

Criteria: The Davis-Bacon Act was not applied to the installation of wireless technology.

Condition: Per the Compliance Supplement, Race to the Top funds are subject to 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 provisions 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 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, 2014

II. FINANCIAL STATEMENT FINDINGS - continued

Compliance Findings - continued

2014-003 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.

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Internal Control Findings

2014-001 Monitoring of Internal Controls over Federal Awards

Federal Programs: All Major Programs

As discussed in finding 2014-001 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.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS – continued

2014-002 Effectiveness of Internal Controls

Federal Programs: CFDA #10.553 School Breakfast Program; CFDA #10.555 National School Lunch; and CFDA #10.559 Summer Food Service Program for Children

As discussed in finding 2014-002 in the internal control section of section II, an invoice was paid without the proper approvals. No questioned costs were noted.

Compliance Findings

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

Federal Programs: CFDA #84.395 Race to the Top

As discussed in finding 2014-003 in the compliance section of section II, the provisions of the Davis-Bacon Act were not considered with respect to the installation of wireless technology. Questioned costs of \$14,390 were noted.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2014**

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.

13-02 Compliance with Time and Effort Requirements

Special Education Cluster CFDA No. 84-.027; 84.173

Finding: Semi-annual certifications or time and effort records were not maintained for the *Building Bridges* grant.

Current Status: The finding has been corrected and semi-annual certifications for this program have been maintained for the current year.

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13-03 Compliance with Eligibility Requirements

Child Nutrition Cluster CFDA No. 10.553; 10.555; 10.559

Finding: students who did not meet the income eligibility guidelines for free and reduced price meals received these rates beyond the first thirty (30) days of the school year.

Current Status: The finding has been corrected and the systemic errors noted by MSDE which caused the finding have been eliminated.