

BOARD OF EDUCATION OF ALLEGANY COUNTY

SINGLE AUDIT

JUNE 30, 2019

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 the 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 unit, 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, 2019, 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 December 10, 2019.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying schedule of

findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-002 to be a material weakness.

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 deficiency described in the accompanying schedule of findings and questioned costs as item 2019-001 to be a significant deficiency.

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 2019-003, 2019-004, and 2019-005.

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

The Board of Education of Allegany County Maryland'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 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.

Helver, Michaels + Company

Cumberland, Maryland
December 10, 2019

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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 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, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-003, 2019-004, and 2019-005. Our opinion on each major federal program is not modified with respect to these matters.

The Board'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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-003, 2019-004, and 2019-005, that we consider to be significant deficiencies.

The Board of Education of Allegany County, Maryland'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 the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, 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, 2019, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements. We issued our report thereon dated December 10, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of

America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Huber, Michaels & Company

Cumberland, Maryland
December 10, 2019

BOARD OF EDUCATION OF ALLEGANY COUNTY
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

GRANT NAME	CFDA NUMBER	GRANT NUMBER	GRANT PERIOD	ORIGINAL GRANT	EXPENDITURES
DEPARTMENT OF EDUCATION					
PASS-THROUGH MD STATE DEPARTMENT OF ED.					
TITLE I*	84.010	180654-01	07/01/17 - 09/30/19	2,970,783	268,419
TITLE I*	84.010	190545-02	07/01/18 - 09/30/20	3,005,851	2,749,714
SUBTOTAL TITLE I				5,976,634	3,018,133
PASS-THROUGH MD STATE DEPARTMENT OF ED.					
SPECIAL EDUCATION*	84.027	181668-01	06/01/18 - 05/31/19	1,500	1,063
SPECIAL EDUCATION*	84.027A	180171-02	07/01/17 - 06/30/19	14,267	14,267
SPECIAL EDUCATION*	84.027A	180353-01	07/01/17 - 09/30/19	2,116,637	37,518
SPECIAL EDUCATION*	84.027A	180353-02	07/01/17 - 09/30/19	18,446	20
SPECIAL EDUCATION*	84.027A	180353-03	07/01/17 - 09/30/18	2,500	1,224
SPECIAL EDUCATION*	84.027A	180353-04	07/01/17 - 09/30/18	45,123	6,666
SPECIAL EDUCATION*	84.027A	180353-05	07/01/17 - 09/30/18	500	95
SPECIAL EDUCATION*	84.027A	180353-06	07/01/17 - 09/30/18	16,000	831
SPECIAL EDUCATION*	84.027A	180353-07	07/01/17 - 09/30/18	35,365	4,345
SPECIAL EDUCATION*	84.027A	181280-01	12/01/17 - 09/30/19	60,000	31,366
SPECIAL EDUCATION*	84.027A	181494-01	02/01/18 - 09/30/19	21,552	19,647
SPECIAL EDUCATION*	84.027A	181612-01	04/04/18 - 09/30/19	39,471	28,290
SPECIAL EDUCATION*	84.027A	190104-01	07/01/18 - 09/30/19	32,584	32,584
SPECIAL EDUCATION*	84.027A	190354-01	07/01/18 - 09/30/20	2,124,060	2,081,146
SPECIAL EDUCATION*	84.027A	190354-02	07/01/18 - 09/30/20	31,975	25,225
SPECIAL EDUCATION*	84.027A	190354-03	07/01/18 - 09/30/19	2,500	575
SPECIAL EDUCATION*	84.027A	190354-04	07/01/18 - 09/30/19	16,000	16,000
SPECIAL EDUCATION*	84.027A	190354-05	07/01/18 - 09/30/19	63,962	8,577
SPECIAL EDUCATION*	84.027A	190354-06	07/01/18 - 09/30/19	70,602	26,000
SPECIAL EDUCATION - PRESCHOOL GRANTS*	84.027A	190354-07	07/01/18 - 09/30/19	60,282	30,085
SPECIAL EDUCATION - PRESCHOOL GRANTS*	84.173	190125-01	07/01/18 - 09/30/19	7,000	7,000
SPECIAL EDUCATION - PRESCHOOL GRANTS*	84.173	190125-02	07/01/18 - 09/30/19	2,655	2,655
SPECIAL EDUCATION - PRESCHOOL GRANTS*	84.173A	180341-01	07/01/17 - 09/30/19	69,447	331
SPECIAL EDUCATION - PRESCHOOL GRANTS*	84.173A	190470-01	07/01/17 - 09/30/19	71,032	69,807
SPECIAL EDUCATION - PRESCHOOL GRANTS*	84.173A	190470-02	07/01/17 - 09/30/19	420	420
SUBTOTAL SPECIAL EDUCATION				4,923,880	2,445,736
PASS-THROUGH MD STATE DEPARTMENT OF ED.					
VOCATIONAL EDUCATION	84.048	190409-01	07/01/18 - 06/30/19	128,559	128,559
VOCATIONAL EDUCATION	84.048	190455-01	07/01/18 - 06/30/19	9,210	9,210
SUBTOTAL VOCATIONAL EDUCATION				137,769	137,769
PASS-THROUGH MD STATE DEPARTMENT OF ED.					
S.E. - GRANTS FOR INFANTS & FAM. WITH DIS.	84.181A	180183-01	07/01/17 - 09/30/18	78,477	2,170
S.E. - GRANTS FOR INFANTS & FAM. WITH DIS.	84.181A	190154-01	07/01/17 - 09/30/18	73,449	73,449
SUBTOTAL GRANTS FOR INFANTS & FAM WITH DIS.				151,926	75,619
PASS-THROUGH MD STATE DEPARTMENT OF ED.					
21ST CENTURY COMMUNITY LEARNING CENTERS	84.287	181147-01	09/01/17 - 08/31/18	208,080	4,005
SUBTOTAL 21ST CENTURY COMMUNITY LEARNING CENTERS				208,080	4,005
PASS-THROUGH MD STATE DEPARTMENT OF ED.					
TITLE II - SUPPORTING EFFECTIVE INSTRUCTION STATE GRANTS	84.367	170962-01	07/01/16 - 09/30/18	620,341	11,970
TITLE II - SUPPORTING EFFECTIVE INSTRUCTION STATE GRANTS	84.367	181262-01	07/01/17 - 09/30/19	434,236	85,729
TITLE II - SUPPORTING EFFECTIVE INSTRUCTION STATE GRANTS	84.367	191233-01	08/15/18 - 06/30/19	3,283	904
TITLE II - SUPPORTING EFFECTIVE INSTRUCTION STATE GRANTS	84.367	191363-01	07/01/18 - 06/30/20	394,493	294,043
SUBTOTAL TITLE II				1,452,353	392,645

BOARD OF EDUCATION OF ALLEGANY COUNTY
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

GRANT NAME	CFDA NUMBER	GRANT NUMBER	GRANT PERIOD	ORIGINAL GRANT	EXPENDITURES
PASS-THROUGH MD STATE DEPARTMENT OF ED. COMPREHENSIVE LITERACY DEVELOPMENT*	84.371C	181744-01	10/01/17 - 06/30/19	600,000	600,000
COMPREHENSIVE LITERACY DEVELOPMENT*	84.371C	191093-01	10/01/18 - 09/30/20	550,000	128,897
SUBTOTAL COMPREHENSIVE LITERACY DEVELOPMENT				1,150,000	728,897
PASS-THROUGH MD STATE DEPARTMENT OF ED. STATEWIDE LONGITUDINAL DATA SYSTEMS	84.372A	181648-01	06/01/18 - 08/31/18	4,126	4,126
STATEWIDE LONGITUDINAL DATA SYSTEMS	84.372	190954-01	07/01/18 - 11/30/18	4,148	4,148
SUBTOTAL STATEWIDE DATA SYSTEMS				8,274	8,274
PASS-THROUGH FROM MD STATE DEPARTMENT OF ED. PRESCHOOL DEVELOPMENT GRANTS	84.419B	180609-02	07/01/17 - 08/31/18	165,000	22,381
SUBTOTAL PRESCHOOL DEVELOPMENT GRANTS				165,000	22,381
PASS-THROUGH MD STATE DEPARTMENT OF ED. STUDENT SUPPORT AND ACADEMIC ENRICHMENT PROGRAM	84.424	181086-01	07/01/17 - 06/30/19	71,435	638
STUDENT SUPPORT AND ACADEMIC ENRICHMENT PROGRAM	84.424A	191284-01	07/01/18 - 06/30/20	215,012	149,941
SUBTOTAL STUDENT SUPPORT AND ACADEMIC ENRICHMENT				286,447	150,579
PASS-THROUGH FROM MD STATE DEPARTMENT OF ED. CHILD CARE AND DEVELOPMENT BLOCK GRANT	93.575	190987-01	07/01/18 - 09/30/19	330,000	259,213
SUBTOTAL CHILD CARE AND DEVELOPMENT BLOCK GRANT				330,000	259,213
PASS-THROUGH MD STATE DEPARTMENT OF ED. NATIONAL SCHOOL LUNCH PROGRAM	10.555	N/A	07/01/18 - 06/30/19	N/A	2,183,779
PASS-THROUGH MD STATE DEPARTMENT OF ED. SCHOOL BREAKFAST PROGRAM	10.553	N/A	07/01/18 - 06/30/19	N/A	801,824
PASS-THROUGH MD STATE DEPARTMENT OF ED. SUMMER FOOD SERVICE PROGRAM	10.559	N/A	07/01/18 - 06/30/19	N/A	10,058
FOOD DONATION	10.555	N/A	07/01/18 - 06/30/19	N/A	291,498
SUBTOTAL CHILD NUTRITION CLUSTER				N/A	3,287,159
PASS-THROUGH MD STATE DEPARTMENT OF ED. TEAM NUTRITION GRANTS	10.574	190937-01	08/01/18 - 06/30/19	4,523	3,361
TEAM NUTRITION GRANTS	10.574	190950-01	09/01/18 - 06/30/19	512	512
SUBTOTAL TEAM NUTRITION GRANTS				5,035	3,873
PASS-THROUGH MD STATE DEPARTMENT OF ED. CHILD NUTRITION DISCRETIONARY GRANTS	10.579	190460-01	07/01/18 - 06/30/20	59,185	46,555
SUBTOTAL CHILD NUTRITION DISCRETIONARY GRANTS				59,185	46,555
PASS-THROUGH MD STATE DEPARTMENT OF ED. FRESH FRUIT & VEGETABLE PROGRAM	10.582	N/A	07/01/18 - 06/30/19	N/A	13,321
SUBTOTAL FRESH FRUIT & VEGETABLE PROGRAM				N/A	13,321
PASS-THROUGH FROM APPALACHIAN REGIONAL COMMISSION APPALACHIAN AREA DEVELOPMENT	23.002	180199-28	06/01/18 - 09/30/18	75,000	75,000
SUBTOTAL APPALACHIAN AREA DEVELOPMENT				75,000	75,000
Totals				\$ 14,929,583	\$ 10,669,160

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 the fiscal year ended June 30, 2019. This statement has been prepared in accordance with generally accepted accounting principles.

NOTE 2 - SCOPE OF AUDIT PURSUANT TO UNIFORM GUIDANCE

All federal awards programs operated by the Board of Education of Allegany County are included in the scope of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* 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, 2019.

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

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 the Medical Assistance Program (CFDA number 93.778) and Medicare Part D totaled \$1,470,851 for the year ended June 30, 2019.

Total revenue from federal sources per the basic financial statements is \$12,137,045. Total revenue from federal sources per the schedule of expenditures of federal awards is \$10,669,160. The fee for service revenue accounts for part of this difference. The remaining difference is attributable to variances in USDA Commodities as follows:

USDA Commodities per MSDE	\$ 291,498
Unreceived items	(2,881)
Unused items	<u>(85)</u>
USDA Commodities per Financial Statements	<u>\$ 288,532</u>

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

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), and Striving Readers (CFDA number 84.371C) were tested as major programs.

The audit of financial statements disclosed a material weakness and a significant deficiency in internal control which are reported in section II.

The audit disclosed findings or questioned costs which are required to be reported under the Uniform Guidance 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 the Uniform Guidance. These significant deficiencies are reported in sections II and III.

The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.

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

The auditee has elected not to use the 10% de minimis indirect cost rate. The auditee's indirect cost rate is approved annually by the Maryland State Department of Education. For the year ended June 30, 2019, the indirect cost rate for restricted funds was 1.40%

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

II. FINANCIAL STATEMENT FINDINGS

Internal Control Findings

2019-001 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.

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.

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.

Repeat Finding: This finding is a repeat of a finding in the prior year audit.

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: The Board acknowledges the value of the internal audit/monitoring function. However, as a result of 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, 2019

II. FINANCIAL STATEMENT FINDINGS - continued

Internal Control Findings - continued

2019-002 Material Adjustments to the Financial Statements were Required

Criteria: Governmental entities are required to maintain a system of internal controls such that all material transactions are properly recorded as to amount, account, and period.

Condition: Material adjustments to the Board's financial statements were required for both prior year and current year amounts. Material adjustment to prior year amounts resulted from a correction of an error related to the liability for postemployment benefits other than retirement based on a restatement of the liability by the Board's contracted actuary which caused a material decrease in beginning net position. Material adjustment to current year amounts were required to the Restricted Fund related to one non-federal program. Certain expenses related to the E-RATE program were recorded in the Unrestricted Fund while the corresponding revenues were recorded in the Restricted Fund. In order to balance the Restricted Fund, an unearned revenue was recorded in the Restricted Fund for the difference between these revenues and expenses. However, an interfund receivable/payable should have been recorded to account for this issue.

Cause: The Board's internal control procedures were not sufficient to prevent, or detect and correct, material misstatements in a timely manner.

Effect: Prior to making these adjustments, the financial statements were materially misstated and could have improperly influenced the users of the financial statements.

Repeat Finding: This finding is a repeat of a finding from the prior year audit. However, the prior year finding related to different required adjustments.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

II. FINANCIAL STATEMENT FINDINGS - continued

Internal Control Findings - continued

**2019-002 Material Adjustments to the Financial Statements were Required -
continued**

Recommendation: We recommend that the Board either strengthen current internal control policies and procedures or adopt additional internal control policies and procedures to ensure that all material transactions are properly recorded as to amount, account, and period. We further recommend that the Board strengthen its knowledge of generally accepted accounting principles and Governmental Account Standards Board pronouncements, specifically Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Finally, to address the Restricted Fund misstatement, we recommend that finance staff be more diligent in matching revenues and expenses in the appropriate funds.

Views of Responsible Officials and Planned Corrective Action: The Board is committed to strengthening internal controls as appropriate as well as increasing staff knowledge and awareness of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* through continuing professional education opportunities. We agree to the change within the Restricted Fund as well. This represents a change from past practice, however we agree that it provides a more appropriate matching of revenues and expenses. The district will adopt this practice for this program going forward.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

II. FINANCIAL STATEMENT FINDINGS - continued

Compliance Findings

2019-003 Ineffective Internal Controls Related to Fixed Assets

Criteria: Per the Board of Education's Fixed Asset Policy, upon completion of the Capital Asset Acquisition Form and receipt of the invoice and/or purchase order, the Senior Accountant locates the fixed asset, verifies the asset to the invoice and serial number, and then affixes a barcode to the asset. Assets are then traced to the fixed assets report as a form of checks and balances.

Condition: Barcodes were not affixed to fixed assets purchased in fiscal year 2019.

Cause: Due to multiple personnel changes in fiscal year 2016, the Board fell behind in the tagging of fixed assets. The issue has not been remedied.

Effect: Failure to comply with the fixed asset policy could result in theft of untagged assets that would not be discovered until an asset review was performed. Additionally, financial reporting information could be misstated if the assets were not entered into the system after tagging.

Repeat Finding: This finding is a repeat of a finding from the prior year audit.

Recommendation: We recommend that untagged fixed assets be tagged immediately. We further recommend that going forward, steps should be taken to ensure that all fixed asset purchases are tagged and entered into the system upon receipt rather than doing so as part of year-end procedures.

Views of Responsible Officials and Planned Corrective Action: Based on the delay in finalizing the fiscal 2018 audit, the 2019 assets were not tagged in a timely fashion. Fixed assets purchased in fiscal 2019 have been tagged as of the completion of the 2019 audit. The first quarter 2020 fixed assets are being compiled now and we expect this process to remain timely going forward.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

II. FINANCIAL STATEMENT FINDINGS - continued

Compliance Findings - continued

2019-004 Ineffective Internal Controls Over Reporting

Criteria: When reporting expenditures to awarding agencies, amounts reported must be supported by the underlying records of the grantee.

Condition: Reimbursement requests submitted to the State of Maryland (Maryland State Department of Education), the awarding agency, did not agree to and could not be reconciled to the underlying accounting records.

Cause: Due to a lack of understanding and oversight, the reimbursement requests and associated reports did not agree to the underlying accounting records.

Effect: Reimbursement requests could include costs that had not been expended prior to making the request. Alternatively, reimbursement requests could exclude expenditures to which the grantee is otherwise entitled.

Repeat Finding: This finding is a not repeat of a finding from the prior year audit.

Recommendation: We recommend that records be maintained indicating agreement or reconciliation of the monthly reimbursement requests to the underlying account records. We further recommend that the reimbursement requests and related supporting documentation be reviewed by management prior to submission.

Views of Responsible Officials and Planned Corrective Action: The Grant Accountant position will maintain a reconciliation of monthly reimbursement requests that matches the underlying account records going forward. These requests will be approved by the Asst. Finance Supervisor or CFO to ensure agreement prior to submission.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

II. FINANCIAL STATEMENT FINDINGS - continued

Compliance Findings - continued

2019-005 Lack of Written Procurement Policies as Required by the Uniform Guidance

Criteria: Per the Uniform Guidance, recipients of federal awards are required to adopt certain written policies including procurement policies which comply with the requirements enumerated in the Uniform Guidance.

Condition: Upon review of the Board's policy related to federal awards, it was noted that the procurement section of the policy did not meet the requirements of the Uniform Guidance.

Cause: The *Procurement of Goods and Services to Implement Federal Awards* section of the policy in effect as of June 30, 2019, reiterates a portion of the *Allowability of Costs Related to Federal Awards* section. The Procurement section does not include any of the requirements of the Uniform Guidance as relates to the procurement standards. The exclusion of these requirements appears to be a clerical error as the information contained in the Procurement section is identical to a portion of the Allowability of Costs section. However, the error was not noted with either the first or second reading of the policy prior to adoption.

Effect: The Board of Education is not in compliance with the requirements of the Uniform Guidance. Additionally, purchases could be made using federal funds that are not in accordance with the Uniform Guidance.

Repeat Finding: This finding is a repeat of a finding from the prior year audit.

Recommendation: We recommend that the Board of Education be more diligent in the drafting and approval of policies and procedures to ensure that all necessary elements are included and are correctly stated.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

II. FINANCIAL STATEMENT FINDINGS - continued

Compliance Findings - continued

**2019-005 Lack of Written Procurement Policies as Required by the Uniform
Guidance - continued**

Views of Responsible Officials and Planned Corrective Action: This issue has been resolved. As a result of last year's audit being late, the policy issue was not able to be addressed prior to June 30, 2019, so it became a finding in fiscal 2019 as well. The revised policy, which is in compliance with the Uniform Guidance, was adopted August 13, 2019.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Internal Control Findings

2019-001 Monitoring of Internal Controls over Federal Awards

Federal Programs: All Major Programs

As discussed in finding 2019-001 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 as a result of this finding.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS – continued

Compliance Findings

2019-003 Ineffective Internal Controls Related to Fixed Assets

Federal Programs: All Major Programs

As discussed in finding 2019-003 in the internal control section of section II, the Board failed to tag fixed asset additions in accordance with the fixed asset policy. No questioned costs were noted as a result of this finding.

2019-004 Ineffective Internal Controls Over Reporting

Federal Programs: All Major Programs

As discussed in finding 2019-004 in the internal control section of section II, reimbursement requests, a form of reporting, submitted to the grantor agency were not supported by the Board's underlying accounting records. No questioned costs were noted as a result of this finding.

2019-005 Lack of Written Policies as Required by the Uniform Guidance

Federal Programs: All Major Programs

As discussed in finding 2019-005 in the internal control section of section II, the Board had not developed and adopted written policies related to procurement which meet the requirements of the Uniform Guidance as of June 30, 2019. No questioned costs were noted as a result of this finding.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2019

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 of Education has not implemented an internal audit/monitoring function.

2016-005 Lack of Formal Documentation of Election to Postpone Implementation of Procurement Standards of the Uniform Guidance

All Major Programs

Finding: The Board of Education did not formally document the election to postpone the implementation standards of the Uniform Guidance.

Current Status: No corrective action has been taken related to this finding. The postponement period ended June 30, 2016. The procurement policies had not been implemented as of June 30, 2019, as discussed at finding 2019-005. However, it should be noted that the appropriate policies were adopted August 13, 2019.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2019

2017-003 Lack of Written Policies as Required by the Uniform Guidance

All Major Programs

Finding: The Board of Education had not adopted certain written policies as required by the Uniform Guidance including procedures on cash management, cost allowability procedures, travel policies, and procurement policies.

Current Status: Policies meeting the requirements of the Uniform Guidance related to cash management, cost allowability procedures, and travel were adopted and implemented in fiscal year 2018. The procurement procedures adopted in fiscal year 2018 were not compliant with the Uniform Guidance and the revised policy was not adopted until after June 30, 2019. This continues to be a finding related to procurement only as discussed at finding 2019-005 in the Schedule of Findings and Questioned Costs.

2017-005 Ineffective Internal Controls Related to Fixed Assets

All Major Programs

Finding: Barcodes were not affixed to fixed assets purchased in fiscal year 2017.

Current Status: Barcodes were affixed to fixed assets purchased in fiscal year 2017 as of June 30, 2018. This was also noted as a finding in fiscal year 2018 (2018-003) as barcodes had not been affixed to fiscal year 2018 purchases as of June 30, 2018. Barcodes were affixed to fixed assets purchased in fiscal year 2018 as of June 30, 2019. However, fixed assets purchased in fiscal year 2019 were not tagged as of June 30, 2019, and, as such, this continues to be a finding, as discussed at finding 2019-004 in the Schedule of Findings and Questioned Costs.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2019

2017-008 Failure to Timely File Fiscal Year 2016 Data Collection Form

All Major Programs

Finding: The Data Collection Form for fiscal year 2016 was not filed timely.

Current Status: The Data Collection Form has been filed for fiscal year 2016. The Data Collection Form for fiscal year 2017 was timely filed; however, the form for fiscal year 2018 had not been filed as of the date of the fiscal year 2018 report, which was past the filing deadline, and was reported as finding 2018-005 in the fiscal year 2018 report. Based on the timing of the fiscal year 2019 audit, it appears that the Data Collection Form for fiscal year 2019 will be filed timely which will eliminate this finding going forward.

2018-002 Material Adjustments to the Financial Statements were Required

Finding: Material adjustments to the Board's financial statements were required.

Current Status: The material adjustments noted during the fiscal year 2018 audit were made prior to issuance of the audited financial statements. However, additional material adjustments were required as a result of the fiscal year 2019 audit. As such, this continues to be a finding as discussed at finding 2019-002 in the Schedule of Findings and Questioned Costs.

2018-004 Lack of Written Policies as Required by the Uniform Guidance

All Major Programs

Finding: The procurement section of the Board's policy related to federal awards did not meet the requirements of the Uniform Guidance.

Current Status: The procurement procedures adopted in fiscal year 2018 were not compliant with the Uniform Guidance and the revised policy was not adopted until after June 30, 2019. This continues to be a finding as discussed at finding 2019-005 in the Schedule of Findings and Questioned Costs.