

BOARD OF EDUCATION OF ALLEGANY COUNTY

SINGLE AUDIT

JUNE 30, 2021

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, 2021, 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 January 10, 2022.

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) as a basis for designing 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 at item 2021-002 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 at item 2021-001 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 financial statements. 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2020-003.

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 on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heber, Michaels + Company

Cumberland, Maryland
January 10, 2022

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 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, 2021. 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, 2021.

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-003. Our opinion on each major federal program is not modified with respect to this matter.

The Board's response to the noncompliance finding 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-003, 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.

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.

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, 2021, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements. We have issued our report thereon dated January 10, 2022, which contained an unmodified opinion 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 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Liben, Michaels + Company

Cumberland, Maryland
January 10, 2022

BOARD OF EDUCATION OF ALLEGANY COUNTY
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

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	190545-01	07/01/18 - 09/30/21	3,005,851	79,581
TITLE I	84.010	201181-01	07/01/19 - 09/30/21	3,211,350	340,322
TITLE I	84.010	211167-01	07/01/20 - 09/30/22	3,184,854	2,852,871
SUBTOTAL TITLE I				9,402,055	3,272,774
PASS-THROUGH MD STATE DEPARTMENT OF ED.					
SPECIAL EDUCATION					
SPECIAL EDUCATION	84.027A	190354-05	07/01/18 - 09/30/21	63,962	27,191
SPECIAL EDUCATION	84.027A	190354-06	07/01/18 - 09/30/21	70,602	3,413
SPECIAL EDUCATION	84.027A	190354-07	07/01/18 - 09/30/20	60,282	657
SPECIAL EDUCATION	84.027	200413-01	07/01/19 - 09/30/21	1,797,210	14,275
SPECIAL EDUCATION	84.027A	200413-02	07/01/18 - 09/30/21	28,682	19,519
SPECIAL EDUCATION	84.027A	200413-04	07/01/19 - 09/30/21	2,500	1,429
SPECIAL EDUCATION	84.027	201122-01	07/01/19 - 09/30/21	72,088	18,376
SPECIAL EDUCATION	84.027	201122-02	10/01/19 - 09/30/21	78,147	32,404
SPECIAL EDUCATION	84.027	201122-03	10/01/19 - 09/30/21	75,593	45,038
SPECIAL EDUCATION	84.027A	210306-01	07/01/20 - 09/30/21	31,081	2,298
SPECIAL EDUCATION	84.027	210835-01	07/01/20 - 09/30/22	1,814,377	1,804,643
SPECIAL EDUCATION	84.027	210835-02	07/01/20 - 09/30/22	36,304	-
SPECIAL EDUCATION	84.027	210835-03	07/01/20 - 09/30/22	326,679	326,679
SPECIAL EDUCATION	84.027	210835-04	07/01/20 - 09/30/21	2,500	-
SPECIAL EDUCATION	84.027	210835-05	07/01/20 - 09/30/21	16,000	11,270
SPECIAL EDUCATION	84.027	210835-06	07/01/20 - 09/30/21	250	-
SPECIAL EDUCATION	84.027	211022-01	10/01/20 - 09/30/22	71,629	5,016
SPECIAL EDUCATION	84.027	211022-02	10/01/20 - 09/30/22	78,248	-
SPECIAL EDUCATION	84.027	211022-03	10/01/20 - 09/30/22	119,493	-
SUBTOTAL SPECIAL EDUCATION				4,746,127	2,312,208
SPECIAL EDUCATION - PRESCHOOL GRANTS	84.173	200283-03	07/01/19 - 09/30/21	10,885	347
SPECIAL EDUCATION - PRESCHOOL GRANTS	84.173A	201828-01	06/30/20 - 09/30/21	7,000	7,000
SPECIAL EDUCATION - PRESCHOOL GRANTS	84.173A	201828-02	06/30/20 - 09/30/21	2,532	2,532
SPECIAL EDUCATION - PRESCHOOL GRANTS	84.173	210454-01	07/01/20 - 09/30/22	61,907	61,907
SPECIAL EDUCATION - PRESCHOOL GRANTS	84.173	210454-02	07/01/20 - 09/30/22	10,925	3,200
SUBTOTAL SPECIAL EDUCATION - PRESCHOOL GRANTS				93,249	74,986
SUBTOTAL SPECIAL EDUCATION CLUSTER				4,839,376	2,387,194
PASS-THROUGH MD STATE DEPARTMENT OF ED.					
VOCATIONAL EDUCATION	84.048A	210526-01	07/01/20 - 06/30/21	17,343	10,409
VOCATIONAL EDUCATION	84.048A	210915-01	07/01/20 - 06/30/21	127,787	125,086
SUBTOTAL VOCATIONAL EDUCATION				145,130	135,495
PASS-THROUGH MD STATE DEPARTMENT OF ED.					
CAREER AND TECHNICAL EDUCATION - NATIONAL PROGRAMS					
SUBTOTAL CAREER AND TECHNICAL EDUCATION - NATIONAL PROGRAMS	84.051E	211326-01	12/01/20 - 06/30/21	16,822	14,525
PASS-THROUGH MD STATE DEPARTMENT OF ED.					
S.E. - GRANTS FOR INFANTS & FAM. WITH DIS.	84.181A	200412-02	07/01/19 - 09/30/20	2,000	210
S.E. - GRANTS FOR INFANTS & FAM. WITH DIS.	84.181A	210254-01	07/01/20 - 09/30/21	79,093	77,755
SUBTOTAL GRANTS FOR INFANTS & FAM WITH DIS.				81,093	77,965
PASS-THROUGH MD STATE DEPARTMENT OF ED.					
TITLE II - SUPPORTING EFFECTIVE INSTRUCTION STATE GRANTS	84.367A	201094-01	07/01/19 - 09/30/21	423,432	97,755
TITLE II - SUPPORTING EFFECTIVE INSTRUCTION STATE GRANTS	84.367	210783-01	07/01/20 - 06/30/22	421,117	283,071
SUBTOTAL TITLE II				844,549	380,826

BOARD OF EDUCATION OF ALLEGANY COUNTY
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

GRANT NAME	CFDA NUMBER	GRANT NUMBER	GRANT PERIOD	ORIGINAL GRANT	EXPENDITURES
PASS-THROUGH MD STATE DEPARTMENT OF ED. COMPREHENSIVE LITERACY DEVELOPMENT*	84.371C	191091-01	10/01/18 - 09/30/20	550,000	38,900
COMPREHENSIVE LITERACY DEVELOPMENT*	84.371C	201255-01	10/01/19 - 06/30/21	550,000	440,533
SUBTOTAL COMPREHENSIVE LITERACY DEVELOPMENT				1,100,000	479,433
PASS-THROUGH MD STATE DEPARTMENT OF ED. STUDENT SUPPORT AND ACADEMIC ENRICHMENT PROGRAM	84.424A	201567-01	07/01/19 - 06/30/21	227,011	154,833
STUDENT SUPPORT AND ACADEMIC ENRICHMENT PROGRAM	84.424A	211384-01	07/01/20 - 06/30/22	250,273	69,937
SUBTOTAL STUDENT SUPPORT AND ACADEMIC ENRICHMENT				477,284	224,770
PASS-THROUGH MD STATE DEPARTMENT OF ED. EDUCATION STABILIZATION FUND*	84.425D	201767-01	03/13/20 - 09/30/22	2,557,898	1,861,176
EDUCATION STABILIZATION FUND*	84.425C	201876-01	03/13/20 - 09/30/22	97,034	95,869
EDUCATION STABILIZATION FUND*	84.425D	202044-01	03/13/20 - 09/30/22	261,372	214,429
EDUCATION STABILIZATION FUND*	84.425D	202109-01	04/29/20 - 09/30/21	49,482	49,482
EDUCATION STABILIZATION FUND*	84.425D	202217-01	03/13/20 - 09/30/22	11,278,218	2,196,918
EDUCATION STABILIZATION FUND*	84.425U	211957-01	03/13/20 - 09/30/24	25,347,480	-
SUBTOTAL STUDENT SUPPORT AND ACADEMIC ENRICHMENT				39,591,484	4,417,874
PASS-THROUGH MD STATE DEPARTMENT OF ED. SUMMER FOOD SERVICE PROGRAM*	10.559	N/A	07/01/20 - 06/30/21	N/A	2,625,795
FOOD DONATION*	10.555	N/A	07/01/20 - 06/30/21	N/A	311,402
SUBTOTAL CHILD NUTRITION CLUSTER				N/A	2,937,197
PASS-THROUGH MD STATE DEPARTMENT OF ED. STATE ADMINISTRATIVE EXPENSES FOR CHILD NUTRITION	10.560	N/A	07/01/20 - 06/30/21	N/A	9,207
SUBTOTAL STATE ADMINISTRATIVE EXPENSES FOR CHILD NUTRITION				N/A	9,207
PASS-THROUGH MD STATE DEPARTMENT OF ED. FRESH FRUIT & VEGETABLE PROGRAM	10.582	N/A	07/01/20 - 06/30/21	N/A	34,197
SUBTOTAL FRESH FRUIT & VEGETABLE PROGRAM				N/A	34,197
PASS-THROUGH MD STATE DEPARTMENT OF ED. COVID-19 - CORONAVIRUS RELIEF FUND*	21.019	201936-01	03/26/20 - 12/31/20	909,933	291,183
COVID-19 - CORONAVIRUS RELIEF FUND*	21.019	201966-01	03/01/20 - 12/31/20	1,367,490	1,367,490
COVID-19 - CORONAVIRUS RELIEF FUND*	21.019	210199-01	08/14/20 - 12/31/20	70,000	70,000
SUBTOTAL COVID-19 - CORONAVIRUS RELIEF FUND				2,347,423	1,728,673
PASS-THROUGH MD STATE DEPARTMENT OF ED. COVID-19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	211769-01	03/03/21 - 12/31/24	127,280	-
COVID-19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	211776-01	03/03/21 - 12/31/24	404,180	-
COVID-19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	211780-01	03/03/21 - 12/31/24	127,280	-
SUBTOTAL COVID-19 - CORONAVIRUS RELIEF FUND				658,740	-
Totals				\$ 59,503,956	\$ 16,100,130

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, 2021. 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, 2021.

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 \$1,067,015 for the year ended June 30, 2021.

Total revenue from federal sources per the basic financial statements is \$17,283,587. Total revenue from federal sources per the schedule of expenditures of federal awards is \$16,096,806. The fee for service revenue accounts for part of this difference. The remaining difference of \$119,766 is attributable to variances in USDA Commodities and timing differences related to COVID-19 relief grants for Food Services as follows:

USDA Commodities per MSDE	311,402
Unspent produce	(8,467)
Unspent commodities	<u>(31,893)</u>
USDA Commodities per Financial Statements	<u>271,042</u>
USDA Variance	(40,360)
Child Nutrition Emergency Operational Costs Reimbursement Grant	150,478
P-EBT - Administration Costs	3,063
State Administrative Costs for Child Nutrition Grant for FY20	<u>6,585</u>
SEFA vs. Financial Statements Variance	<u>119,766</u>

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

NOTE 5 - INDIRECT COSTS

The Board 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, 2021, the indirect cost rate for restricted funds was 2.00%.

NOTE 6 - SUBRECIPIENTS

The Board did not pass-through any federal awards to subrecipients for the year ended June 30, 2021.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

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.

COVID-19 – Coronavirus Relief Fund (CFDA number 21.019), COVID-19 – Education Stabilization Fund (84.425) and Comprehensive Literacy Development – Striving Readers (84.371C) were tested as major programs.

The audit of financial statements disclosed a material weakness and a significant deficiency in internal control which is 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 qualified as a low-risk auditee.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

II. FINANCIAL STATEMENT FINDINGS

Internal Control Findings

2021-001 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 rather than directly to the governing board.

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 (Finding 2020-001).

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 an 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, 2021

II. FINANCIAL STATEMENT FINDINGS - continued

Internal Control Findings - continued

2021-002 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 an unidentified project in the School Construction Fund. This project was committed to by the State as of June 30, 2020. As per the State of Maryland's requirements, the committed funds are to be recognized as accounts receivable when committed, even if they are to be expended in future years. Material adjustment related to current year amounts resulted from the purchase of multi-year subscriptions and licenses that were fully expensed in the current year. Per generally accepted account principles, the portion of multi-year contracts that is attributable to future periods is to be record as prepaid expense.

Cause: For the prior year adjustment, the project in question was committed from a different funding source than the other projects which were properly accounted for. For the current year adjustment, there was some confusion surrounding the purchase of multi-year contracts as they were purchased with grant funds with varying periods of performance.

Effect: Prior year assets and revenues were understated by a material amount in the School Construction Fund. Current year revenues and expenditures were overstated by a material amount in the Restricted Fund. If the adjustments were not made, the financial statements would be materially misstated and could have improperly influenced the users of the financial statements.

Repeat Finding: This finding was not a finding in FY20.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

II. FINANCIAL STATEMENT FINDINGS - continued

Internal Control Findings - continued

**2021-002 Material Adjustments to the Financial Statements were Required -
continued**

Recommendation: We recommend that Finance Department staff develop and implement policies and procedures to ensure that all projects, even those from varying funding sources, are properly recorded in the School Construction Fund when committed. We further recommend that staff be more cognizant of the terms of multi-year contracts to ensure that expenditures are recognized in the proper period.

Views of Responsible Officials and Planned Corrective Action: School Construction projects are typically determinable and the Board agrees to work more collaboratively with state resources such as the IAC and MSDE to accurately determine funding commitments from the state so that the Board recognizes those commitments accurately within its annual financial statements.

The Board entered into multi-year contracts to garner additional savings for the district during the contractual period. The Board has developed allocation schedules to ensure a more appropriate matching of expenses to the financial period. The Board may continue to enter into multi-year agreements for contractual savings, but will expense only the portion of the contract in the period of performance.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

II. FINANCIAL STATEMENT FINDINGS - continued

Internal Control Findings - continued

2021-003 Noncompliance with Reporting Requirements

Federal Programs: Coronavirus Relief Fund (CFDA No. 21.019)

Criteria: Per the grant agreement, the final report and final accounting are due within 30 calendar days after the grantee makes the last purchase to be paid with grant funds. Per an email from the grantor, the reports are due as stated in the agreement, but no later than March 1, 2021. The email also indicates that the last invoice payment for services or equipment related to the grant will be the start of the 30-day period.

Condition: The last invoice payment made using these grant funds was paid on December 18, 2020, which started the 30-day period. The final report and final accounting were filed January 28, 2021, or 41 days after the final payment was made.

Cause: Due to a misinterpretation of the information provided by the grantor, the grants accountant and grant administrator believed that the final report and final accounting needed to be filed by March 1, 2021.

Effect: The Board is not in compliance with the reporting requirements of the grant which could affect future funding.

Repeat Finding: This finding was not a finding in FY20.

Recommendation: We recommend that in the future, both the grants accountant and the grants administrators verify the reporting requirements with the grantor in order to avoid future misinterpretations and noncompliance.

Views of Responsible Officials and Planned Corrective Action: In this case, the Board did misinterpret the due date of the final report and the report was subsequently late by approximately 11 days. The grant administrator and finance representatives will be more diligent in making sure future reporting requirements are met relative to all grants.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Compliance Findings

2021-001 Monitoring of Internal Controls over Federal Awards

Federal Programs: All Major Programs

As discussed in finding 2021-001 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.

2021-002 Material Adjustments to the Financial Statements were Required

Federal Programs: All Major Programs

As discussed in finding 2021-002 in the internal control section of section II, material adjustments were required to the Board's financial statements for both prior year and current year amounts. No questioned costs were noted as a result of this finding.

2021-003 Noncompliance with Reporting Requirements – continued

Federal Programs: Coronavirus Relief Fund (CFDA No. 21.019)

As discussed in finding 2021-003 in the internal control section of section II, the Board was noncompliant with the reporting requirements for this grant. Specifically, the final report and accounting was file 11 days late. 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, 2021

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. This has continued to be a finding reported as Finding 2019-001 for fiscal year 2019 and as Finding 2020-001 for fiscal year 2020.

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 continued to be a finding (2019-004). Barcodes were affixed to fixed assets purchased in fiscal year 2019 as of June 30, 2020. However, barcodes were not affixed to all fixed assets purchased in fiscal year 2020 as of June 30, 2020. While progress had been made, this continued to be a finding (2020-002). In fiscal year 2021, finance staff have become more efficient in the tagging of assets throughout the year. This improvement was noted during school visits. As such, this is no longer considered a finding.