

BOARD OF EDUCATION OF ALLEGANY COUNTY

SINGLE AUDIT

JUNE 30, 2012

BOARD OF EDUCATION OF ALLEGANY COUNTY

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INDEPENDENT AUDITORS' REPORT

Board of Education of Allegany County
Cumberland, Maryland

We have audited the accompanying 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), component unit of Allegany County, Maryland, as of and for the year ended June 30, 2012, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board of Education of Allegany County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit 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 and the standards prescribed by the Maryland State Board of Education. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position 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, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2012, on our consideration of the Board of Education of Allegany County, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education of Allegany County, Maryland's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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 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.

Huber, Michaels & Company

Cumberland, Maryland
October 1, 2012

BOARD OF EDUCATION OF ALLEGANY COUNTY

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

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	12019901	07/01/11-06/30/12	1,109	1,109
ADULT EDUCATION	84.002	12019948	07/01/11-06/30/12	37,420	37,420
ADULT EDUCATION	84.002	12019946	07/01/11-06/30/12	11,406	11,406
ADULT EDUCATION	84.002	12019947	07/01/11-06/30/12	4,414	4,414
ADULT EDUCATION	84.002	12019948	07/01/11-06/30/12	27,032	27,032
ADULT EDUCATION	84.002	12019949	07/01/11-06/30/12	18,086	18,086
ADULT EDUCATION	84.002	12019950	07/01/11-06/30/12	1,209	1,209
SUBTOTAL ADULT EDUCATION				100,676	100,676
PASS-THROUGH MD STATE DEPARTMENT OF ED.					
TITLE I*	84.018	114470-01	07/01/10 - 06/30/12	2,418,311	64,246
TITLE I*	84.010	124346-01	07/01/11 - 09/30/11	4,062	4,062
TITLE I*	84.010	124523-01	07/01/11 - 06/30/13	2,525,138	2,428,092
TITLE I*	84.010	125506-01	11/01/11 - 10/31/12	50,000	40,540
SUBTOTAL TITLE I				4,997,511	2,536,939
PASS-THROUGH MD STATE DEPARTMENT OF ED.					
SPECIAL EDUCATION*	84.027	114743-07	07/01/10 - 09/30/11	2,500	1,267
SPECIAL EDUCATION*	84.027	114609-01	07/01/10 - 09/30/11	5,485	3,059
SPECIAL EDUCATION*	84.027	114743-09	07/01/10 - 09/30/11	25,000	11,594
SPECIAL EDUCATION*	84.027	114743-04	07/01/10 - 09/30/11	6,000	1,166
SPECIAL EDUCATION*	84.027	114743-05	07/01/10 - 09/30/11	14,975	2,549
SPECIAL EDUCATION*	84.027	114743-88	07/01/10 - 09/30/11	110,500	17,436
SPECIAL EDUCATION*	84.027	124174-02	07/01/11 - 09/30/12	13,140	13,140
SPECIAL EDUCATION*	84.027	124244-02	07/01/11 - 09/30/12	24,760	24,760
SPECIAL EDUCATION*	84.027	124244-07	07/01/11 - 09/30/12	6,000	3,503
SPECIAL EDUCATION*	84.027	124244-06	07/01/11 - 09/30/12	2,500	1,184
SPECIAL EDUCATION*	84.027	124566-01	07/01/10 - 09/30/12	5,000	2,866
SPECIAL EDUCATION*	84.027	124567-01	07/01/11 - 09/30/12	6,375	1,101
SPECIAL EDUCATION*	84.027	124568-01	07/01/11 - 09/30/12	39,860	39,108
SPECIAL EDUCATION*	84.027	124244-05	07/01/11 - 09/30/12	10,000	9,560
SPECIAL EDUCATION*	84.027	124244-09	07/01/11 - 09/30/12	110,500	86,937
SPECIAL EDUCATION*	84.027	125442-01	11/09/11 - 06/30/12	390,440	390,440
SPECIAL EDUCATION*	84.027	124244-08	07/01/11 - 09/30/12	12,675	12,566
SPECIAL EDUCATION*	84.027	125171-01	09/01/11 - 09/30/12	30,000	5,124
SPECIAL EDUCATION*	84.027	125311-01	12/01/11 - 09/30/12	35,000	35,000
SPECIAL EDUCATION*	84.027	124244-01	07/01/11 - 09/30/12	2,152,441	2,121,728
SPECIAL EDUCATION*	84.173	114550-02	07/01/10 - 09/30/11	27,312	14,781
SPECIAL EDUCATION - PRESCHOOL GRANTS*	84.173	114103-03	07/01/10 - 09/30/11	7,000	528
SPECIAL EDUCATION - PRESCHOOL GRANTS*	84.173	124244-03	07/01/11 - 09/30/12	69,914	69,914
SPECIAL EDUCATION - PRESCHOOL GRANTS*	84.173	124244-04	07/01/11 - 09/30/12	858	858
SPECIAL EDUCATION - PRESCHOOL GRANTS*	84.173	124617-02	07/01/11 - 09/30/12	27,312	23,603
SPECIAL EDUCATION - PRESCHOOL GRANTS*	84.173	124174-03	07/01/11 - 06/30/12	7,000	6,910
SPECIAL EDUCATION - PRESCHOOL GRANTS*	84.173	125171-02	09/01/11 - 09/30/12	100,000	77,822
SPECIAL EDUCATION - PRESCHOOL GRANTS*	84.391	104499-01	07/01/09 - 09/30/11	2,516,605	386,520
SPECIAL EDUCATION - PRESCHOOL GRANTS, RECOVERY ACT*	84.392	104499-02	07/01/09 - 09/30/11	100,153	32,907
SUBTOTAL SPECIAL EDUCATION (INCLUDING RECOVERY ACT)				5,859,315	3,398,520
PASS-THROUGH MD STATE DEPARTMENT OF ED.					
VOCATIONAL EDUCATION	84.048	124712-01	07/01/11 - 06/30/12	129,977	129,977
VOCATIONAL EDUCATION	84.048	125137-02	07/01/11 - 09/30/12	17,518	15,812
SUBTOTAL VOCATIONAL EDUCATION				147,495	145,789

BOARD OF EDUCATION OF ALLEGANY COUNTY

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

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.	84.181	124174-01	07/01/11 - 09/30/12	76,272	76,272
S.E. - GRANTS FOR INFANTS & FAM. WITH DIS., RECOVERY ACT	84.393	104527-02	07/01/09 - 09/30/11	148,238	11,891
S.E. - GRANTS FOR INFANTS & FAM. WITH DIS., RECOVERY ACT	84.393	124271-01	07/01/11 - 09/30/11	30,000	30,000
SUBTOTAL GRANTS FOR INFANTS & FAM WITH DIS. (INCLUDING RECOVERY ACT)				254,510	118,163
PASS-THROUGH MD STATE DEPARTMENT OF ED. TECH PREP EDUCATION	84.243	124712-02	07/01/11 - 06/30/12	703	703
PASS THROUGH ALLEGANY COLLEGE OF MD TECH PREP EDUCATION	84.243	12019906	07/01/11 - 06/30/12	2,408	2,408
SUBTOTAL TECH PREP EDUCATION				3,111	3,111
PASS-THROUGH MD STATE DEPARTMENT OF ED. 21ST CENTURY COMMUNITY LEARNING CENTERS*	84.237	114773-01	07/01/11 - 09/30/11	400,000	23,889
21ST CENTURY COMMUNITY LEARNING CENTERS*	84.237	124769-01	07/01/11 - 09/30/12	400,000	390,183
21ST CENTURY COMMUNITY LEARNING CENTERS*	84.237	124750-01	07/01/11 - 08/31/12	350,000	344,116
SUBTOTAL 21ST CENTURY COMMUNITY LEARNING CENTERS				1,150,000	758,189
PASS-THROUGH MD STATE DEPARTMENT OF ED. EDUCATION TECHNOLOGY	84.318	12019914	07/01/11 - 06/30/12	21,795	21,795
EDUCATION TECHNOLOGY	84.318	12019915	07/01/11 - 06/30/12	1,580	1,580
EDUCATION TECHNOLOGY	84.318	12019941	07/01/11 - 06/30/12	2,657	2,657
SUBTOTAL EDUCATION TECHNOLOGY				26,031	26,031
PASS-THROUGH MD STATE DEPARTMENT OF ED. GEAR-UP	84.334S	114471-01	09/01/10 - 08/31/11	168,622	16,908
SUBTOTAL GEAR-UP				168,622	16,908
PASS-THROUGH MD STATE DEPARTMENT OF ED. MATH AND SCIENCE PARTNERSHIPS	84.366	12019916	07/01/11 - 06/30/12	500	500
MATH AND SCIENCE PARTNERSHIPS	84.366	12019920	07/01/11 - 06/30/12	120,763	120,763
MATH AND SCIENCE PARTNERSHIPS	84.366	12019905	07/01/11 - 06/30/12	39,242	39,242
MATH AND SCIENCE PARTNERSHIPS, RECOVERY ACT	84.366	12019902	07/01/11 - 06/30/12	9,406	9,406
MATH AND SCIENCE PARTNERSHIPS	84.366B	125689-01	04/01/12 - 06/30/13	332,184	14,467
SUBTOTAL MATH AND SCIENCE PARTNERSHIPS (INCLUDING RECOVERY ACT)				502,095	184,378
PASS-THROUGH MD STATE DEPARTMENT OF ED. TITLE II - IMPROVING TEACHER QUALITY*	84.367	104590-01	07/01/09 - 09/30/11	742,436	10,594
TITLE II - IMPROVING TEACHER QUALITY*	84.367	114267-02	07/01/10 - 09/30/12	753,189	109,720
TITLE II - IMPROVING TEACHER QUALITY*	84.367	124198-01	07/01/11 - 06/30/13	655,450	548,405
SUBTOTAL TITLE II				2,151,075	668,719
PASS-THROUGH MD STATE DEPARTMENT OF ED. RACE TO THE TOP*	84.395	115740-02	06/25/10 - 09/30/12	148,062	67,300
RACE TO THE TOP*	84.395	115740-01	08/25/10 - 09/30/12	395,975	306,599
RACE TO THE TOP*	84.395	115740-04	08/25/10 - 09/30/12	61,296	5,120
RACE TO THE TOP*	84.395	115740-05	08/25/10 - 09/30/12	22,937	-
RACE TO THE TOP*	84.395	116327-01	06/10/11 - 09/30/11	8,000	8,000
RACE TO THE TOP*	84.395	124619-02	07/01/09 - 09/30/11	14,057	6,764
RACE TO THE TOP*	84.395	124619-04	07/01/10 - 09/30/11	750	750
RACE TO THE TOP*	84.395	125231-01	10/21/11 - 09/30/12	8,029	7,778
RACE TO THE TOP*	84.395	125646-02	04/01/12 - 09/30/12	1,125	1,125
RACE TO THE TOP*	84.395	125699-01	06/01/12 - 06/30/13	256,265	-
RACE TO THE TOP*	84.395	125646-01	04/01/12 - 09/30/12	69,147	15,516
RACE TO THE TOP*	84.395	124757-01	10/01/11 - 09/30/12	35,000	27,432
SUBTOTAL RACE TO THE TOP				1,020,643	446,384

BOARD OF EDUCATION OF ALLEGANY COUNTY
 SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2012

GRANT NAME	CFDA NUMBER	GRANT NUMBER	GRANT PERIOD	ORIGINAL GRANT	EXPENDITURES
PASS-THROUGH MD STATE DEPARTMENT OF ED. EDUCATION JOBS FUND*	84.410	115716-01	08/10/10 - 09/30/12	2,922,447	584,489
EDUCATION JOBS FUND*	84.410	125891-01	08/10/10 - 09/30/12	43,261	43,261
SUBTOTAL EDUCATION JOBS FUND				2,965,708	627,750
PASS-THROUGH FROM ALLEGANY COUNTY HEALTH DEPARTMENT GARRETT LEE SMITH YOUTH SUICIDE PREVENTION	92.243	12019908	07/01/11-06/30/12	2,000	2,000
SUBTOTAL GARRETT LEE SMITH YOUTH SUICIDE PREVENTION				2,000	2,000
PASS-THROUGH MD STATE DEPARTMENT OF ED. VEHICLE REPAIR PROGRAM	93.558	12019924	07/01/11-06/30/12	61,887	61,887
SUBTOTAL VEHICLE REPAIR PROGRAM				61,887	61,887
PASS-THROUGH MD STATE DEPARTMENT OF ED. PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT	93.991	115828-01	07/01/10 - 09/30/11	11,500	3,625
SUBTOTAL PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT				11,500	3,625
PASS-THROUGH MD STATE DEPARTMENT OF ED. NATIONAL SCHOOL LUNCH PROGRAM*	10.555	N/A	07/01/11-06/30/12	N/A	1,951,880
PASS-THROUGH MD STATE DEPARTMENT OF ED. SCHOOL BREAKFAST PROGRAM*	10.553	N/A	07/01/11-06/30/12	N/A	784,756
PASS-THROUGH MD STATE DEPARTMENT OF ED. SUMMER FOOD SERVICE PROGRAM*	10.559	N/A	07/01/11-06/30/12	N/A	20,864
PASS-THROUGH MD STATE DEPARTMENT OF ED. AFTER SCHOOL SNACKS*	10.555	N/A	07/01/11-06/30/12	N/A	2,408
FOOD DONATION*	10.555	N/A	07/01/11-06/30/12	N/A	340,227
SUBTOTAL CHILD NUTRITION CLUSTER				N/A	3,100,135
PASS-THROUGH MD STATE DEPARTMENT OF ED. FRESH FRUIT & VEGETABLE PROGRAM	10.582	N/A	07/01/11-06/30/12	N/A	11,289
SUBTOTAL FRESH FRUIT & VEGETABLE PROGRAM				N/A	11,289
PASS-THROUGH MD STATE DEPARTMENT OF ED. CHILD AND ADULT CARE FOOD PROGRAM	10.588	N/A	07/01/11-06/30/12	N/A	7,176
SUBTOTAL CHILD AND ADULT CARE FOOD PROGRAM				N/A	7,176
APPALACHIAN REGIONAL COMMISSION APPALACHIAN AREA DEVELOPMENT	23.002	12019911	07/01/11-06/30/12	50,000	50,000
SUBTOTAL APPALACHIAN AREA DEVELOPMENT				50,000	50,000
Totals				\$ 19,472,179	\$ 12,267,472

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, 2012. 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, 2012.

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 \$1,382,715 for the year ended June 30, 2012.

Total revenue from federal sources per the basic financial statements is \$13,650,187. Total revenue from federal sources per the schedule of expenditures of federal awards is \$12,267,472. The fee for service revenue accounts for the difference.

**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 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, 2012, which collectively comprise the Board of Education of Allegany County, Maryland's basic financial statements and have issued our report thereon dated October 1, 2012. We conducted our audit 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.

Internal Control Over Financial Reporting

Management of the Board of Education of Allegany County, Maryland is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as previously defined. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. The finding is referenced as 2012-1. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which 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 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 2012-2.

We noted certain matters that we reported to management of the Board in a separate letter dated October 1, 2012.

The Board's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Board's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board, others within the entity, Maryland State Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Huber, Michaels & Company

Cumberland, Maryland
October 1, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education of Allegany County
Cumberland, Maryland

Compliance

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, 2012. The Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

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. Our audit does not provide a legal determination of the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the 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, 2012. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2012-2.

Internal Control Over Compliance

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Board's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 2012-1. *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.

Schedule of Expenditures of Federal Awards

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, 2012, and have issued our report thereon dated October 1, 2012, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the Board's 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 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 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 taken as a whole.

The Board's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Board's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Board, others within the entity, Maryland State Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Huber, Michaels + Company

Cumberland, Maryland
October 1, 2012

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012

I. SUMMARY OF AUDITORS' RESULTS

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

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

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

Title I, CFDA numbers 84.010; Special Education Cluster, CFDA numbers 84.027, 84.173, 84.391, and 84.392; Title II, CFDA number 84.367; 21st Century Community Learning Centers, CFDA number 84.287; Education Jobs Fund, CFDA number 84.410; 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 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 section 510 of OMB Circular A-133 and are reported in section III.

A significant deficiency in internal control over major programs was disclosed which is required to be reported in accordance with GAGAS and section 510 of the OMB Circular A-133. The significant deficiency is reported in section III.

The dollar threshold used to distinguish between Type A and Type B programs was \$368,024.

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, 2012

II. FINANCIAL STATEMENT FINDINGS

2012-1 Monitoring of Internal Controls

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

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

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

Effect: The Board's system of internal controls may not be 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, 2012

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2012-1 All Major Programs
Monitoring of Internal Controls over Federal Awards

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

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

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

Effect: The Board's system of internal controls may not be 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, 2012

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2012-2 21st Century Community Learning Centers
Compliance with Time and Effort Requirements

Criteria: An employee who works on a single federal award must furnish a semi-annual certification that he/she has been engaged solely in activities related to the award. The certification must be signed by the employee or a supervisory official having first-hand knowledge of the work performed by the employee.

Condition: For 21st Century Community Learning Centers *MSAFE Maryland School Student and Families Excelling Extended Day*, semi-annual certifications were not maintained.

Context: During our compliance testing, we discovered that semi-annual certifications were not maintained for this program.

Effect: The cost of the employees' salaries and related benefits could be disallowed.

Cause: Staff was not aware of this requirement.

Recommendation: We recommend that the program director retroactively obtain semi-annual certifications and continue to do so in order to comply with the time and effort requirements.

Views of Responsible Officials and Planned Corrective Action: The program director agreed with our recommendation.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2012

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.