

BOARD OF EDUCATION OF ALLEGANY COUNTY

SINGLE AUDIT

JUNE 30, 2013

BOARD OF EDUCATION OF ALLEGANY COUNTY

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

Board of Education of Allegany County
Cumberland, Maryland

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Board of Education of Allegany County, Maryland (the Board) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board of Education of Allegany County, Maryland's basic financial statements and have issued our report thereon dated September 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. 2013-1

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which would have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2013-2 and 2013-3.

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

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Huber, Michaels + Company

Cumberland, Maryland
September 30, 2013

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

Board of Education of Allegany County
Cumberland, Maryland

Report on Compliance for Each Major Federal Program

We have audited the Board of Education of Allegany County, Maryland's (the Board's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2013. The Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Board's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Board's compliance.

Opinion on Each Major Federal Program

In our opinion, the Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-2 and 2013-3. Our opinion on each major federal program is not modified with respect to these matters.

The Board of Education of Allegany County, Maryland'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 program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Board of Education of Allegany County, Maryland (the Board) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements. We issued our report thereon dated September 30, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Helmer, Michael & Company

Cumberland, Maryland
September 30, 2013

BOARD OF EDUCATION OF ALLEGANY COUNTY
 SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2013

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	13019933	07/01/12-06/30/13	39,415	38,707
ADULT EDUCATION	84.002	13019934	07/01/12-06/30/13	15,942	15,942
ADULT EDUCATION	84.002	13019935	07/01/12-06/30/13	4,414	4,402
ADULT EDUCATION	84.002	13019936	07/01/12-06/30/13	27,495	27,495
ADULT EDUCATION	84.002	13019937	07/01/12-06/30/13	21,618	21,587
ADULT EDUCATION	84.002	13019938	07/01/12-06/30/13	1,163	1,163
ADULT EDUCATION	84.002	13019939	07/01/12-06/30/13	6,026	6,026
SUBTOTAL ADULT EDUCATION				116,973	115,332
PASS-THROUGH MD STATE DEPARTMENT OF ED.					
TITLE I*	84.010	124523-01	07/01/11 - 06/30/13	2,525,138	97,046
TITLE I*	84.010	125506-01	11/01/11 - 10/31/12	50,000	9,460
TITLE I*	84.010	134386-01	11/01/11 - 10/31/12	2,627,012	2,539,725
SUBTOTAL TITLE I				5,202,150	2,646,231
PASS-THROUGH MD STATE DEPARTMENT OF ED.					
SPECIAL EDUCATION*	84.027	124244-01	11/09/11 - 06/30/12	2,152,441	30,713
SPECIAL EDUCATION*	84.027	124244-05	07/01/11 - 09/30/12	10,000	40
SPECIAL EDUCATION*	84.027	124244-06	07/01/11 - 09/30/12	2,500	1,316
SPECIAL EDUCATION*	84.027	124244-07	07/01/11 - 09/30/12	6,000	2,497
SPECIAL EDUCATION*	84.027	124244-08	07/01/11 - 09/30/12	12,675	109
SPECIAL EDUCATION*	84.027	124244-09	07/01/11 - 09/30/12	110,500	3,240
SPECIAL EDUCATION*	84.027	124566-01	07/01/11 - 09/30/12	5,000	2,134
SPECIAL EDUCATION*	84.027	124567-01	07/01/11 - 09/30/12	2,701	1,600
SPECIAL EDUCATION*	84.027	124568-01	07/01/10 - 09/30/12	39,860	752
SPECIAL EDUCATION*	84.027	125171-01	07/01/11 - 09/30/12	30,000	24,876
SPECIAL EDUCATION*	84.027	134258-01	07/01/12 - 09/30/13	2,141,940	2,106,799
SPECIAL EDUCATION*	84.027	134258-02	07/01/12 - 09/30/13	30,576	30,576
SPECIAL EDUCATION*	84.027	134258-05	07/01/12 - 09/30/13	15,000	15,000
SPECIAL EDUCATION*	84.027	134258-06	07/01/12 - 09/30/13	2,500	2,233
SPECIAL EDUCATION*	84.027	134258-07	07/01/12 - 09/30/13	10,000	10,000
SPECIAL EDUCATION*	84.027	134258-08	07/01/12 - 09/30/13	62,192	47,448
SPECIAL EDUCATION*	84.027	134258-09	07/01/12 - 09/30/13	110,500	110,500
SPECIAL EDUCATION*	84.027	134378-02	07/01/12 - 09/30/13	13,208	13,208
SPECIAL EDUCATION*	84.027	134378-05	07/01/12 - 09/30/13	64,186	64,186
SPECIAL EDUCATION*	84.027	134880-01	09/27/12 - 08/29/14	195,000	38,989
SPECIAL EDUCATION - PRESCHOOL GRANTS*	84.173	124174-03	07/01/11 - 06/30/12	7,000	90
SPECIAL EDUCATION - PRESCHOOL GRANTS*	84.173	124617-02	07/01/11 - 09/30/12	27,312	3,709
SPECIAL EDUCATION - PRESCHOOL GRANTS*	84.173	125171-02	09/01/11 - 09/30/12	100,000	23,178
SPECIAL EDUCATION - PRESCHOOL GRANTS*	84.173	134258-03	07/01/12 - 09/30/13	69,572	69,572
SPECIAL EDUCATION - PRESCHOOL GRANTS*	84.173	134258-04	07/01/12 - 09/30/13	1,269	1,269
SPECIAL EDUCATION - PRESCHOOL GRANTS*	84.173	134378-03	07/01/12 - 09/30/13	7,000	7,000
SPECIAL EDUCATION - PRESCHOOL GRANTS*	84.173	134617-03	07/01/12 - 09/30/13	9,688	8,590
SUBTOTAL SPECIAL EDUCATION				5,238,420	2,618,424
PASS-THROUGH MD STATE DEPARTMENT OF ED.					
VOCATIONAL EDUCATION	84.048	125137-02	07/01/11 - 09/30/12	17,518	1,706
VOCATIONAL EDUCATION	84.048	134762-01	07/01/12 - 09/30/13	126,589	126,589
SUBTOTAL VOCATIONAL EDUCATION				144,107	128,295

BOARD OF EDUCATION OF ALLEGANY COUNTY
 SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2013

GRANT NAME	CFDA NUMBER	GRANT NUMBER	GRANT PERIOD	ORIGINAL GRANT	EXPENDITURES
PASS-THROUGH MD STATE DEPARTMENT OF ED. S.E. - GRANTS FOR INFANTS & FAM. WITH DIS. SUBTOTAL GRANTS FOR INFANTS & FAM WITH DIS.	84.181	134378-01	07/01/12 - 09/30/13	76,667 76,667	76,667 76,667
PASS-THROUGH MD STATE DEPARTMENT OF ED. 21ST CENTURY COMMUNITY LEARNING CENTERS* 21ST CENTURY COMMUNITY LEARNING CENTERS* 21ST CENTURY COMMUNITY LEARNING CENTERS* 21ST CENTURY COMMUNITY LEARNING CENTERS* SUBTOTAL 21ST CENTURY COMMUNITY LEARNING CENTERS	84.287	124750-01 124769-01 134725-01 134811-01	07/01/11 - 08/31/12 07/01/11 - 09/30/12 07/01/12 - 08/31/13 07/01/12 - 08/31/13	350,000 400,000 350,000 340,000 1,440,000	5,884 9,317 326,585 334,910 677,196
PASS-THROUGH MD STATE DEPARTMENT OF ED. MATH AND SCIENCE PARTNERSHIPS MATH AND SCIENCE PARTNERSHIPS MATH AND SCIENCE PARTNERSHIPS SUBTOTAL MATH AND SCIENCE PARTNERSHIPS	84.366	125689-01 134816-01 134816-02	04/01/12 - 09/30/12 09/01/12 - 09/30/12 09/01/12 - 09/30/12	332,184 3,756 28,675 412,087	229,133 3,756 28,675 308,986
PASS-THROUGH WORCESTER COUNTY MATH AND SCIENCE PARTNERSHIPS SUBTOTAL MATH AND SCIENCE PARTNERSHIPS	84.366	13019901	02/03/12 - 06/30/13	47,422	47,422
PASS-THROUGH MD STATE DEPARTMENT OF ED. TITLE II - IMPROVING TEACHER QUALITY* TITLE II - IMPROVING TEACHER QUALITY* TITLE II - IMPROVING TEACHER QUALITY* TITLE II - IMPROVING TEACHER QUALITY* TITLE II - IMPROVING TEACHER QUALITY* SUBTOTAL TITLE II	84.367	114267-02 124198-01 134582-01 134582-02 134990-01	07/01/10 - 09/30/12 07/01/11 - 06/30/13 07/01/12 - 06/30/13 07/01/12 - 06/30/14 09/01/12 - 09/30/13	753,189 655,450 4,101 657,713 35,108 2,127,372	31,166 38,217 4,101 553,684 35,108 662,276
PASS-THROUGH DEPARTMENT OF LABOR COLLEGE ACCESS CHALLENGE GRANT PROGRAM COLLEGE ACCESS CHALLENGE GRANT PROGRAM SUBTOTAL COLLEGE ACCESS CHALLENGE GRANT PROGRAM	84.378	13019940 13019941	07/01/12 - 06/30/13 07/01/12 - 03/31/13	1,125 1,909 3,034	1,125 1,909 3,034
PASS-THROUGH MD STATE DEPARTMENT OF ED. RACE TO THE TOP* RACE TO THE TOP* RACE TO THE TOP* RACE TO THE TOP* RACE TO THE TOP* RACE TO THE TOP* RACE TO THE TOP* RACE TO THE TOP* RACE TO THE TOP* RACE TO THE TOP* RACE TO THE TOP* RACE TO THE TOP* RACE TO THE TOP* RACE TO THE TOP* RACE TO THE TOP* RACE TO THE TOP* SUBTOTAL RACE TO THE TOP	84.395	115740-01 115740-02 115740-03 115740-04 115740-05 124757-01 125231-01 125534-01 125646-01 125699-01 125699-03 134344-01 134426-01 135297-01	08/25/10 - 09/30/12 08/25/10 - 09/30/12 08/25/10 - 09/30/12 08/25/10 - 09/30/12 08/25/10 - 09/30/12 10/01/11 - 09/30/12 10/21/11 - 09/30/12 04/20/12 - 09/30/12 04/01/12 - 09/30/12 06/03/12 - 06/30/13 06/03/12 - 06/30/13 08/01/12 - 06/30/13 07/01/12 - 06/30/13 04/01/13 - 09/30/13	714,664 250,292 129,246 102,066 45,875 35,000 8,029 5,325 69,147 256,265 3,300 15,745 14,675 78,355 1,727,984	103,984 68,213 - 6,767 3,233 7,568 251 5,325 53,631 256,265 3,300 15,745 14,675 9,902 548,859
PASS-THROUGH MD STATE DEPARTMENT OF ED. EDUCATION JOBS FUND SUBTOTAL EDUCATION JOBS FUND	84.410	134304-01	07/01/12 - 09/30/12	2,618 2,618	2,618 2,618

* Major Program

BOARD OF EDUCATION OF ALLEGANY COUNTY

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

GRANT NAME	CFDA NUMBER	GRANT NUMBER	GRANT PERIOD	ORIGINAL GRANT	EXPENDITURES
PASS-THROUGH FROM MD STATE DEPARTMENT OF ED. RACE TO THE TOP - EARLY LEARNING CHALLENGE	84.412	135180-01	10/01/12 - 12/31/13	20,000	1,751
SUBTOTAL RACE TO THE TOP - EARLY LEARNING CHALLENGE				20,000	1,751
PASS-THROUGH MD STATE DEPARTMENT OF ED. PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT	93.136	134346-01	08/01/12 - 10/01/12	7,000	7,000
SUBTOTAL PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT				7,000	7,000
PASS-THROUGH ALLEGANY COUNTY DEPARTMENT OF SOCIAL SERVICES VEHICLE REPAIR PROGRAM	93.558	13015918	07/01/12-06/30/13	62,125	49,817
SUBTOTAL VEHICLE REPAIR PROGRAM				62,125	49,817
PASS-THROUGH FROM MD STATE DEPARTMENT OF ED. ARRA - HEAD START, RECOVERY	93.708	135801-01	12/01/12 - 08/31/13	3,000	2,030
SUBTOTAL ARRA - HEAD START, RECOVERY				3,000	2,030
PASS-THROUGH MD STATE DEPARTMENT OF ED. NATIONAL SCHOOL LUNCH PROGRAM*	10.555	N/A	07/01/12-06/30/13	N/A	1,963,362
PASS-THROUGH MD STATE DEPARTMENT OF ED. SCHOOL BREAKFAST PROGRAM*	10.553	N/A	07/01/12-06/30/13	N/A	747,774
PASS-THROUGH MD STATE DEPARTMENT OF ED. SUMMER FOOD SERVICE PROGRAM*	10.559	N/A	07/01/12-06/30/13	N/A	18,842
PASS-THROUGH MD STATE DEPARTMENT OF ED. AFTER SCHOOL SNACKS*	10.555	N/A	07/01/12-06/30/13	N/A	1,748
FOOD DONATION*	10.555	N/A	07/01/12-06/30/13	N/A	260,052
SUBTOTAL CHILD NUTRITION CLUSTER				N/A	2,991,778
PASS-THROUGH MD STATE DEPARTMENT OF ED. FRESH FRUIT & VEGETABLE PROGRAM	10.582	N/A	07/01/12-06/30/13	N/A	14,786
SUBTOTAL FRESH FRUIT & VEGETABLE PROGRAM				N/A	14,786
Totals				\$ 16,582,587	\$ 10,855,070

* Major Program

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, 2013. 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, 2013.

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 \$1,767,002 for the year ended June 30, 2013.

Total revenue from federal sources per the basic financial statements is \$12,622,122. Total revenue from federal sources per the schedule of expenditures of federal awards is \$10,855,120. The fee for service revenue accounts for the difference.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013

I. SUMMARY OF AUDITORS' RESULTS

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

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

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

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

The audit of financial statements disclosed 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.

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

The dollar threshold used to distinguish between Type A and Type B programs was \$325,654.

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, 2013

II. FINANCIAL STATEMENT FINDINGS

Internal Control Findings

2013-1 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. In addition, in testing the ethics, conflict of interest, policy of the Board, there were instances of non-compliance found.

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

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

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

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

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013

II. FINANCIAL STATEMENT FINDINGS - continued

Compliance Findings

2013-2 Compliance with Time and Effort Requirements

Criteria: In accordance with OMB Circular A-133, 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 the Special Education Building Bridges grant, semi-annual certifications or time and effort records 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: The semi-annual certifications were overlooked based on the circumstances surrounding this program. Teachers working on this program were paid from local funds during the school year during which time they did not work on this program. During the summer months, these teachers worked exclusively on this federal program. Because the period was shorter than six (6) months, there was some confusion as to whether semi-annual certifications were required.

Recommendation: We recommend that the program director retroactively obtain certifications limited to the period in which teachers fall into this category and continue to do so in order to comply with the time and effort requirements. These certifications would include all the requirements of semi-annual certifications; however, they would be only for the period in which the employee worked on the grant, i.e., three (3) months.

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

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013

II. FINANCIAL STATEMENT FINDINGS - continued

2013-3 - Compliance with Eligibility Requirements

Criteria: In accordance with OMB Circular A-133, only students whose families meet the income guidelines established by USDA are eligible to receive free and reduced meals.

Condition: Students who did not meet the income guidelines established by USDA received meals at free and reduced prices.

Context: During MSDE's annual review, it was determined that students who were eligible for free and reduced meals in the 2011-2012 school year continued to be considered eligible beyond the first thirty (30) days of the 2012-2013 school year without appropriate new documentation. Some of these students were no longer eligible for free and reduced meals based on new applications.

Effect: Ineligible students received free and reduced prices. Reimbursements for these meals were received at the higher reimbursement rates. The difference between the reimbursement for free and reduced meals and paid meals was repaid to MSDE.

Cause: In school year 2011-2012, a new data management system for meal eligibility was implemented. Controls were not in place to ensure that all prior data was removed from system in order to make new eligibility determinations in the next school year. As such, students were carried over as eligible for free and reduced meals without appropriate documentation beyond the first thirty (30) days of the new school year.

Recommendation: MSDE provided a corrective action plan in order to cure the eligibility finding.

Views of Responsible Officials and Planned Corrective Action: The corrective action plan was implemented per MSDE's requirements.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Internal Control Findings

2013-1 Monitoring of Internal Controls over Federal Awards

Federal Programs: All Major Programs

As discussed in finding 2013-1 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.

2013-2 Compliance with Time and Effort Requirements

Federal Programs: CFDA #84.027 Special Education - Grants to States (IDEA, Part B) and CFDA #84.173 Special Education - Preschool Grants (IDEA Preschool)

As discussed in finding 2013-2 in the compliance section of section II, the Board did not maintain proper time and effort documentation for teachers who were paid exclusively from local funds during the school year but worked exclusively on these federal programs during the summer. No questioned costs were noted.

2013-3 - Compliance with Eligibility Requirements

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

As discussed in finding 2013-3 in the compliance section of Section II, students who did not meet the income eligibility guidelines for free and reduced price meals received these rates beyond the first thirty (30) days of the school year. No questioned costs were noted.

**BOARD OF EDUCATION
BOARD OF EDUCATION OF ALLEGANY COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2013**

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.

12-02 Compliance with Time and Effort Requirements

21st Century Community Learning Centers CFDA No. 84-.287

Finding: Semi-annual certifications were not maintained for the *MSAFE Maryland Student and Families Excelling Extended Day* grant.

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