

BOARD OF EDUCATION OF ALLEGANY COUNTY

SINGLE AUDIT

JUNE 30, 2016

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, 2016, 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 May 9, 2017.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified 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 to be a material weakness: 2016-004.

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 deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies: 2016-001, 2016-002, and 2016-003.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2016-002, 2016-003, 2016-004, and 2016-005.

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, Michael & Company

Cumberland, Maryland
May 9, 2017

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

Board of Education of Allegany County
Cumberland, Maryland

Report on Compliance for Each Major Federal Program

We have audited the Board of Education of Allegany County, Maryland's (the Board's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2016. 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, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-002, 2016-003, 2016-004, and 2016-005. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2016-004 to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-001, 2016-002, 2016-003, and 2016-005 to be significant deficiencies.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component 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, 2016, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements. We issued our report thereon dated May 9, 2017, 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 Board's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted

in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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
May 9, 2017

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

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	160199-07	07/01/15 - 06/30/16	18,237	18,237
ADULT EDUCATION	84.002	160199-08	07/01/15 - 06/30/16	7,702	7,702
ADULT EDUCATION	84.002	160199-09	07/01/15 - 06/30/16	1,724	1,724
ADULT EDUCATION	84.002	160199-10	07/01/15 - 06/30/16	14,394	14,394
ADULT EDUCATION	84.002	160199-11	07/01/15 - 06/30/16	10,393	10,393
SUBTOTAL ADULT EDUCATION				52,450	52,450
PASS-THROUGH MD STATE DEPARTMENT OF ED.					
TITLE I	84.010	154350-01	07/01/14 - 06/30/16	2,658,326	219,690
TITLE I	84.010	155041-01	07/01/14 - 10/31/15	96,965	8,565
TITLE I	84.010	155590-01	04/01/15 - 09/30/15	35,490	35,490
TITLE I	84.010	165090-01	07/01/15 - 06/30/17	2,598,463	2,389,398
TITLE I	84.010	165587-01	07/01/15 - 09/30/16	1,447	-
TITLE I	84.010	165677-01	07/01/15 - 09/30/16	5,000	-
SUBTOTAL TITLE I				5,395,691	2,653,143
PASS-THROUGH MD STATE DEPARTMENT OF ED.					
SPECIAL EDUCATION	84.027	154193-01	07/01/14 - 09/30/15	2,096,024	44,862
SPECIAL EDUCATION	84.027	154193-05	07/01/14 - 09/30/15	2,500	982
SPECIAL EDUCATION	84.027	154193-06	07/01/14 - 09/30/15	88,810	23,132
SPECIAL EDUCATION	84.027	155540-01	03/31/15 - 08/31/15	10,484	103
SPECIAL EDUCATION	84.027	164368-01	07/01/15 - 09/30/16	38,027	38,027
SPECIAL EDUCATION	84.027A	164371-01	07/01/15 - 08/31/16	18,565	18,426
SPECIAL EDUCATION	84.027A	164682-01	07/01/15 - 08/31/16	20,295	20,295
SPECIAL EDUCATION	84.027A	164682-02	07/01/15 - 08/31/16	10,157	412
SPECIAL EDUCATION	84.027A	164682-03	07/01/15 - 06/30/16	600	-
SPECIAL EDUCATION	84.027A	164684-01	07/01/15 - 09/30/17	2,070,902	2,069,879
SPECIAL EDUCATION	84.027	164684-02	07/01/15 - 09/30/16	20,661	20,661
SPECIAL EDUCATION	84.027A	164684-03	07/01/15 - 09/30/16	2,500	1,270
SPECIAL EDUCATION	84.027A	164684-04	07/01/15 - 09/30/16	91,679	83,197
SPECIAL EDUCATION	84.027A	164684-05	07/01/15 - 09/30/16	90,000	28,858
SPECIAL EDUCATION - PRESCHOOL GRANTS	84.173	154224-03	07/01/14 - 09/30/15	7,000	1,066
SPECIAL EDUCATION - PRESCHOOL GRANTS	84.173	155355-02	01/07/15 - 09/30/15	10,125	323
SPECIAL EDUCATION - PRESCHOOL GRANTS	84.173A	164369-01	07/01/15 - 09/30/16	7,000	7,000
SPECIAL EDUCATION - PRESCHOOL GRANTS	84.173	164369-02	07/01/15 - 09/30/16	3,098	3,098
SPECIAL EDUCATION - PRESCHOOL GRANTS	84.173	164683-02	07/01/15 - 09/30/16	1,066	1,006
SPECIAL EDUCATION - PRESCHOOL GRANTS	84.173	164683-03	07/01/15 - 09/30/17	68,913	68,913
SUBTOTAL SPECIAL EDUCATION				4,658,346	2,431,509
PASS-THROUGH MD STATE DEPARTMENT OF ED.					
VOCATIONAL EDUCATION	84.048	164970-01	07/01/15 - 06/30/16	6,173	3,014
VOCATIONAL EDUCATION	84.048	165041-01	07/01/15 - 06/30/16	111,603	111,603
SUBTOTAL VOCATIONAL EDUCATION				117,776	114,617
PASS-THROUGH MD STATE DEPARTMENT OF ED.					
S.E. - GRANTS FOR INFANTS & FAM. WITH DIS.	84.181	154224-01	07/01/14 - 09/30/15	80,312	577
S.E. - GRANTS FOR INFANTS & FAM. WITH DIS.	84.181A	164367-01	07/01/15 - 09/30/16	79,956	79,956
SUBTOTAL GRANTS FOR INFANTS & FAM WITH DIS.				160,268	80,533
PASS-THROUGH MD STATE DEPARTMENT OF ED.					
21ST CENTURY COMMUNITY LEARNING CENTERS	84.287	154989-01	07/01/14 - 09/30/15	358,339	11,480
21ST CENTURY COMMUNITY LEARNING CENTERS	84.287	155031-01	07/01/14 - 08/30/15	263,137	5,904
21ST CENTURY COMMUNITY LEARNING CENTERS	84.287	165195-01	09/01/15 - 09/30/16	385,333	363,288
21ST CENTURY COMMUNITY LEARNING CENTERS	84.287	165293-01	09/01/15 - 08/31/16	261,900	227,719
SUBTOTAL 21ST CENTURY COMMUNITY LEARNING CENTERS				1,267,709	608,391

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

GRANT NAME	CFDA NUMBER	GRANT NUMBER	GRANT PERIOD	ORIGINAL GRANT	EXPENDITURES
PASS-THROUGH MD STATE DEPARTMENT OF ED. TITLE II - IMPROVING TEACHER QUALITY	84.367	154928-01	07/01/14 - 09/30/16	632,384	125,769
TITLE II - IMPROVING TEACHER QUALITY	84.367	155633-01	04/01/15 - 09/30/15	40,846	31,948
TITLE II - IMPROVING TEACHER QUALITY	84.367	165308-01	07/01/15 - 06/30/17	628,893	534,586
SUBTOTAL TITLE II				1,302,123	692,302
PASS-THROUGH MD STATE DEPARTMENT OF ED. RACE TO THE TOP	84.395	155604-01	05/01/15 - 07/15/15	19,922	9,487
RACE TO THE TOP	84.395	164187-01	07/01/15 - 07/31/16	5,000	2,576
SUBTOTAL RACE TO THE TOP				24,922	11,863
PASS-THROUGH FROM MD STATE DEPARTMENT OF ED. PRESCHOOL DEVELOPMENT GRANTS	84.419B	164932-01	07/01/15 - 09/30/16	87,543	87,543
PRESCHOOL DEVELOPMENT GRANTS	84.419B	165340-01	07/01/15 - 09/30/16	77,457	33,747
SUBTOTAL RACE TO THE TOP - EARLY LEARNING CHALLENGE				165,000	121,289
PASS-THROUGH FROM MD EMERGENCY MANAGEMENT AGENCY DISASTER GRANTS - PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS)	97.036	160199-05	07/01/15 - 06/30/16	24,639	24,639
SUBTOTAL DISASTER GRANTS				24,639	24,639
PASS-THROUGH MD STATE DEPARTMENT OF ED. NATIONAL SCHOOL LUNCH PROGRAM*	10.555	N/A	07/01/15-06/30/16	N/A	2,153,381
PASS-THROUGH MD STATE DEPARTMENT OF ED. SCHOOL BREAKFAST PROGRAM*	10.553	N/A	07/01/15-06/30/16	N/A	854,885
PASS-THROUGH MD STATE DEPARTMENT OF ED. SUMMER FOOD SERVICE PROGRAM*	10.559	N/A	07/01/15-06/30/16	N/A	16,259
PASS-THROUGH MD STATE DEPARTMENT OF ED. AFTER SCHOOL SNACKS*	10.555	N/A	07/01/15-06/30/16	N/A	1,108
FOOD DONATION*	10.555	N/A	07/01/15-06/30/16	N/A	303,856
SUBTOTAL CHILD NUTRITION CLUSTER				N/A	3,379,390
PASS-THROUGH MD STATE DEPARTMENT OF ED. FRESH FRUIT & VEGETABLE PROGRAM	10.582	N/A	07/01/15-06/30/16	N/A	14,291
SUBTOTAL FRESH FRUIT & VEGETABLE PROGRAM				N/A	14,291
PASS-THROUGH FROM APPALACHIAN REGIONAL COMMISSION APPALACHIAN AREA DEVELOPMENT*	23.002	150199-27	03/01/15 - 11/30/15	150,000	88,488
APPALACHIAN AREA DEVELOPMENT*	23.002	160199-17	08/01/15 - 11/30/16	110,000	101,000
SUBTOTAL APPALACHIAN AREA DEVELOPMENT				260,000	189,488
Totals				\$ 13,428,924	\$ 10,323,906

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, 2016. 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, 2016.

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 \$2,161,914 for the year ended June 30, 2016.

Total revenue from federal sources per the basic financial statements is \$12,485,820. Total revenue from federal sources per the schedule of expenditures of federal awards is \$10,323,906. 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, 2016

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.

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) and Appalachian Area Development grants (CFDA number 23.002) were tested as major programs.

The audit of financial statements disclosed significant deficiencies in internal control which are reported in section II.

The audit disclosed findings or questioned costs which are required to be reported under the Uniform Guidance and are reported in section III.

Significant deficiencies in internal control over major programs were disclosed which are required to be reported in accordance with GAGAS and the Uniform Guidance. These significant deficiencies are reported in section 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.

The auditee has elected not to use the 10% de minimis indirect cost rate.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

II. FINANCIAL STATEMENT FINDINGS

Internal Control Findings

2016-001 Monitoring of Internal Controls

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

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

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

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.

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: 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, 2016

II. FINANCIAL STATEMENT FINDINGS - continued

Internal Control Findings - continued

2016-002 Lack of Policies and Procedures Regarding Suspended/Debarred Parties

Criteria: Per the Uniform Guidance, recipients of federal awards are prohibited from expending federal funds to parties who have been suspended or debarred by the federal government. As such, entities should have policies and procedures in place to ensure that federal funds are not used for payments to suspended or debarred parties.

Condition: The Board of Education does not have policies and procedures in place to determine whether or not parties to which they are paying federal funds have been suspended or debarred.

Context: During our internal control testing, we discovered that the processing of invoices for payment does not include procedures to determine the status of vendors who receive payment from federal funds in relation to suspension or debarment by the federal government.

Effect: Payments of federal funds could inadvertently be made to suspended or debarred parties which could in turn result in disallowance of expenditures and potentially the return of federal funds to the awarding agency.

Cause: Such policies and procedures have never been adopted by the Board.

Recommendation: We recommend that the Board of Education adopt policies and procedures that incorporate the verification of the status of vendors regarding suspension and debarment.

Views of Responsible Officials and Planned Corrective Action: The Board is in agreement with the auditors' recommendation and will adopt policies and procedures that incorporate the verification of the status of vendors regarding both suspension and debarment. The Chief Financial Officer has met with legal counsel to begin to move towards this requirement.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

II. FINANCIAL STATEMENT FINDINGS - continued

Internal Control Findings - continued

2016-003 Lack of Written Policies as Required by the Uniform Guidance

Criteria: Per the Uniform Guidance, entities must adopt certain written policies including procedures on cash management, cost allowability procedures, and travel policies.

Condition: The Board of Education has not developed and adopted said written policies.

Context: In the course of normal single audit testing, it was discovered that the Board of Education had not developed and adopted these written policies.

Effect: Payments of federal funds could be made that do not meet the Uniform Guidance policies.

Cause: Because the Uniform Guidance became effective for fiscal year 2016, there were some issues regarding implementation due to the fact that there was little guidance related to the wording of said policies. Additionally, there were several personnel changes within the Finance Office during the year that also impacted the implementation of the new guidance.

Recommendation: We recommend that the Board of Education develop and adopt the required written policies as soon as possible in order to be in compliance with the Uniform Guidance.

Views of Responsible Officials and Planned Corrective Action: Per the Chief Financial Officer, the Board of Education has begun the process of adopting and implementing said policies although this objective was not completed as of June 30, 2016

BOARD OF EDUCATION OF ALLEGANY COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

II. FINANCIAL STATEMENT FINDINGS - continued

Compliance Findings

2016-004 Compliance with the Requirements of the Davis-Bacon Act

Criteria: Appalachian Area Development grants are subject to the requirements of the Davis-Bacon Act, including the wage rate requirements, insofar as the funds are used for construction purposes. The Memorandum of Understanding for these grants clearly indicates applicability. The current grants were awarded to fund the extension of the fiber network that was originally put in place by the State of Maryland and was funded via federal stimulus money. The original work was subject to the Davis-Bacon Act and, the extension work is also subject to its requirements.

Condition: The wage rate requirements of the Davis-Bacon Act were not applied to the fiber extension work funded by the ARC grants.

Context: During compliance testing of the Appalachian Area Development grants, it was discovered that the wage rate requirements of the Davis-Bacon Act were not applied to the extension of the fiber network.

Effect: Noncompliance with the requirements of the Davis-Bacon Act could result in disallowance of costs and return of funds.

Cause: The Board of Education was not aware that the projects funded by the Appalachian Area Development grants were subject to the wage rate requirements of the Davis-Bacon Act.

Recommendation: We recommend that the Board of Education become more cognizant of the widespread application of the Davis-Bacon Act and develop policies to determine when grants are subject to the Davis-Bacon Act. We also recommend that the Board of Education work with the contractor hired to extend the fiber network to retroactively obtain the required documentation.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

II. FINANCIAL STATEMENT FINDINGS - continued

Compliance Findings - continued

2016-004 Compliance with the Requirements of the Davis-Bacon Act - continued

Views of Responsible Officials and Planned Corrective Action: While the application of the Davis-Bacon Act in this case could have resulted in the Board paying the contractor an amount higher than they requested, the Board also understands the implications of not being in compliance with the Davis-Bacon Act and agrees that it must be more cognizant of the application of the Act.

BOARD OF EDUCATION OF ALLEGANY COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

II. FINANCIAL STATEMENT FINDINGS - continued

Compliance Findings - continued

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

Criteria: Per the Uniform Guidance, entities may elect to postpone the implementation of the procurement standards of the Uniform Guidance until July 1, 2017. Entities making this election must formally document said election.

Condition: The Board of Education has not formally documented the election to postpone the implementation of the procurement standards of the Uniform Guidance.

Context: In the course of normal single audit testing, it was discovered that the Board of Education had no formal documentation of this election.

Effect: The Board of Education could be required to implement the procurement standards earlier than anticipated and, consequently, could have additional instances of noncompliance related to those standards.

Cause: The Board of Education was unaware of the need for formal documentation of the election to postpone the implementation of the procurement standards of the Uniform Guidance.

Recommendation: We recommend that the Board of Education retroactively document the election to postpone the implementation of the procurement standards of the Uniform Guidance.

Views of Responsible Officials and Planned Corrective Action: The Board will retroactively document the election to postpone the implementation of the procurement standards of the Uniform Guidance.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Internal Control Findings

2016-001 Monitoring of Internal Controls over Federal Awards

Federal Programs: All Major Programs

As discussed in finding 2016-001 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.

2016-002 Lack of Policies and Procedures Regarding Suspended/Debarred Parties

Federal Programs: All Major Programs

As discussed in finding 2016-002 in the internal control section of section II, the Board does not have policies and procedures in place to determine the status of vendors receiving payments from federal funds regarding suspension and debarment by the federal government. No questioned costs were noted.

2016-003 Lack of Written Policies as Required by the Uniform Guidance

Federal Programs: All Major Programs

As discussed in finding 2016-003 in the internal control section of section II, the Board has not developed and adopted certain written policies as required by the Uniform Guidance. No questioned costs were noted.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS – continued

Compliance Findings

2016-004 Compliance with the Requirements of the Davis-Bacon Act

Federal Programs: CFDA #23.002 Appalachian Area Development Grants

As discussed in finding 2016-004 in the compliance section of section II, the wage rate requirements of the Davis-Bacon Act were not considered with respect to the extension of the fiber network. Questioned costs of \$95,532 were noted.

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

Federal Programs: All Major Programs

As discussed in finding 2016-005 in the compliance section of section II, the Board has not formally documented the election to postpone the implementation of the procurement standards of the Uniform Guidance. No questioned costs were noted.

BOARD OF EDUCATION
BOARD OF EDUCATION OF ALLEGANY COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2016

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.

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

Race to the Top CFDA No. 84.395

Finding: The provisions of the Davis-Bacon Act were not applied to services provided by an electrical contractor related to the installation of wireless technology.

Current Status: This continued to be a finding (See 2015-003) as the Board of Education did not agree that the provisions of the Davis-Bacon Act apply to the work performed. However, the program funding for construction ended prior to the current fiscal year.

**BOARD OF EDUCATION
BOARD OF EDUCATION OF ALLEGANY COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2016**

2015-002 Effectiveness of Internal Controls

Title I CFDA No. 84.010

Finding: An invoice was paid without the proper approval.

Current Status: The invoice was retroactively approved by the Supervisor of Federal Programs and the finding has been eliminated for this federal program.

2015-003 Compliance with the Requirements of the Davis-Bacon Act

Race to the Top CFDA No. 84.395

Finding: The provisions of the Davis-Bacon Act were not applied to services provided by and electrical contractor related to the installation of wireless technology.

Current Status: The Board of Education continues to disagree with the finding that the Davis-Bacon Act applies to this type of work. However, because the program funding for construction has ended, this is not a finding for the current or future years as it relates to Race to the Top funding.

2015-004 Compliance with Reporting Requirements

Title II CFDA No. 84.367

Finding: The reporting requirements as mandated by the Maryland State Department of Education (MSDE) were not met.

Current Status: The Board of Education has not, and does not expect to receive any notification from MSDE related to this issue. No similar issues were noted in the current audit. As such, the finding is considered to be remedied and will not be considered a finding going forward as it relates to this particular incident.

BOARD OF EDUCATION
BOARD OF EDUCATION OF ALLEGANY COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2016

2015-005

Compliance with Allowable Costs/Cost Principles

Title I CFDA No. 84.010

Finding: Entertainment costs, although separately identifiable on the invoice, were included in the cost of a conference and charged to the Title I grant.

Current Status: The Board of Education has not, and does not expect to receive any notification from MSDE related to this issue. No similar issues were noted in the current audit. As such, the finding is considered to be remedied and will not be considered a finding going forward as it relates to this particular incident.

2015-006

Compliance with Time and Effort Requirements

Special Education Cluster CFDA No. 84.027, 84.0173

Finding: Semi-annual certifications were not obtained for one employee.

Current Status: Semi-annual certifications were retroactively obtained for the employee in question. As such, the finding has been remedied and will not be considered a finding going forward as it relates to this particular incident.