

BOARD OF EDUCATION OF ALLEGANY COUNTY

SINGLE AUDIT

JUNE 30, 2017

BOARD OF EDUCATION OF ALLEGANY COUNTY

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

Board of Education of Allegany County
Cumberland, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Board of Education of Allegany County, Maryland (the Board) as of and for the year ended June 30, 2017, 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 November 14, 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.

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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. 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: 2017-001, 2017-002, 2017-003, 2017-004, 2017-005.

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 2017-002, 2017-003, 2017-004, 2017-005, 2017-006, 2017-007, and 2017-008.

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

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

Purpose of this Report

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

Huber, Michaels + Company

Cumberland, Maryland
November 14, 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, 2017. 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, 2017.

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 2017-002, 2017-003, 2017-004, 2017-005, 2017-006, 2017-007, and 2017-008. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over*

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-002, 2017-003, 2017-004, 2017-006, 2017-007, and 2017-008, that we consider to be significant deficiencies.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Board of Education of Allegany County, Maryland (the Board) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements. We issued our report thereon dated November 14, 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 basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of

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

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

Huber, Michaels + Company

Cumberland, Maryland
November 14, 2017

BOARD OF EDUCATION OF ALLEGANY COUNTY
 SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2017

GRANT NAME	CFDA NUMBER	GRANT NUMBER	GRANT PERIOD	ORIGINAL GRANT	EXPENDITURES
DEPARTMENT OF EDUCATION					
PASS-THROUGH MD STATE DEPARTMENT OF ED.					
TITLE I*	84.010	165090-01	07/01/15 - 06/30/17	2,598,463	209,065
TITLE I*	84.010	165587-01	07/01/15 - 09/30/16	1,447	1,447
TITLE I*	84.010	165677-01	07/01/15 - 09/30/16	5,000	5,000
TITLE I*	84.010	170925-01	07/01/16 - 09/30/18	2,681,135	2,562,161
SUBTOTAL TITLE I				5,286,045	2,777,673
PASS-THROUGH MD STATE DEPARTMENT OF ED.					
SPECIAL EDUCATION*	84.027A	164371-01	07/01/15 - 08/31/16	18,565	139
SPECIAL EDUCATION*	84.027A	164682-02	07/01/15 - 08/31/16	10,157	9,745
SPECIAL EDUCATION*	84.027	164684-01	07/01/15 - 09/30/17	2,070,902	1,023
SPECIAL EDUCATION*	84.027A	164684-03	07/01/15 - 09/30/16	2,500	393
SPECIAL EDUCATION*	84.027A	164684-04	07/01/15 - 09/30/16	91,679	8,482
SPECIAL EDUCATION*	84.027A	164684-05	07/01/15 - 09/30/16	90,000	21,588
SPECIAL EDUCATION*	84.027	170212-01	07/01/16 - 09/30/18	2,104,626	2,101,742
SPECIAL EDUCATION*	84.027	170212-02	07/01/16 - 09/30/18	22,005	21,862
SPECIAL EDUCATION*	84.027	170212-03	07/01/16 - 09/30/17	2,500	1,184
SPECIAL EDUCATION*	84.027	170212-04	07/01/16 - 09/30/17	83,264	81,066
SPECIAL EDUCATION*	84.027	170212-05	07/01/16 - 09/30/17	600	600
SPECIAL EDUCATION*	84.027	170237-01	07/01/16 - 09/30/17	36,536	36,536
SPECIAL EDUCATION - PRESCHOOL GRANTS*	84.173	170207-01	07/01/16 - 09/30/18	69,355	69,355
SPECIAL EDUCATION - PRESCHOOL GRANTS*	84.173	170207-02	07/01/16 - 09/30/18	564	564
SPECIAL EDUCATION - PRESCHOOL GRANTS*	84.173	170207-03	07/01/16 - 09/30/17	34,832	29,225
SPECIAL EDUCATION - PRESCHOOL GRANTS*	84.173	170231-01	07/01/16 - 09/30/17	7,000	7,000
SPECIAL EDUCATION - PRESCHOOL GRANTS*	84.173	170231-02	07/01/15 - 09/30/17	2,977	2,977
SUBTOTAL SPECIAL EDUCATION				4,648,062	2,393,481
PASS-THROUGH MD STATE DEPARTMENT OF ED.					
VOCATIONAL EDUCATION					
VOCATIONAL EDUCATION	84.048	170517-01	07/01/16 - 06/30/17	113,056	113,056
VOCATIONAL EDUCATION	84.048	170725-01	07/01/16 - 06/30/17	9,986	9,986
SUBTOTAL VOCATIONAL EDUCATION				123,042	123,042
PASS-THROUGH MD STATE DEPARTMENT OF ED.					
S.E. - GRANTS FOR INFANTS & FAM. WITH DIS.					
S.E. - GRANTS FOR INFANTS & FAM. WITH DIS.	84.181A	164367-02	07/01/15 - 09/30/17	10,000	7,018
S.E. - GRANTS FOR INFANTS & FAM. WITH DIS.	84.181A	170259-01	07/01/16 - 09/30/17	81,015	81,015
SUBTOTAL GRANTS FOR INFANTS & FAM WITH DIS.				91,015	88,033
PASS-THROUGH MD STATE DEPARTMENT OF ED.					
21ST CENTURY COMMUNITY LEARNING CENTERS					
21ST CENTURY COMMUNITY LEARNING CENTERS	84.287	165195-01	09/01/15 - 09/30/16	385,333	22,045
21ST CENTURY COMMUNITY LEARNING CENTERS	84.287	165293-01	09/01/15 - 08/31/16	261,900	8,955
21ST CENTURY COMMUNITY LEARNING CENTERS	84.287	170911-01	09/01/16 - 09/30/17	224,670	161,963
21ST CENTURY COMMUNITY LEARNING CENTERS.	84.287	170912-01	09/01/16 - 09/30/17	260,100	246,078
SUBTOTAL 21ST CENTURY COMMUNITY LEARNING CENTERS				1,132,003	439,041
PASS-THROUGH MD STATE DEPARTMENT OF ED.					
TITLE II - IMPROVING TEACHER QUALITY					
TITLE II - IMPROVING TEACHER QUALITY	84.367	154928-01	07/01/14 - 09/30/16	632,384	11,031
TITLE II - IMPROVING TEACHER QUALITY	84.367	165308-01	07/01/15 - 09/30/17	628,893	54,531
TITLE II - IMPROVING TEACHER QUALITY	84.367	170962-01	07/01/15 - 09/30/17	620,341	488,346
SUBTOTAL TITLE II				1,881,618	553,908
PASS-THROUGH MD STATE DEPARTMENT OF ED.					
STATEWIDE LONGITUDINAL DATA SYSTEMS					
STATEWIDE LONGITUDINAL DATA SYSTEMS	84.372A	170968-01	08/01/16 - 06/30/17	7,290	5,209
SUBTOTAL STATEWIDE DATA SYSTEMS				7,290	5,209

BOARD OF EDUCATION OF ALLEGANY COUNTY

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

GRANT NAME	CFDA NUMBER	GRANT NUMBER	GRANT PERIOD	ORIGINAL GRANT	EXPENDITURES
PASS-THROUGH FROM MD STATE DEPARTMENT OF ED.					
PRESCHOOL DEVELOPMENT GRANTS*	84.419B	165840-01	07/01/15 - 09/30/16	77,457	43,711
PRESCHOOL DEVELOPMENT GRANTS*	84.419B	170602-01	07/01/16 - 08/31/17	165,000	125,035
PRESCHOOL DEVELOPMENT GRANTS*	84.419B	170610-01	07/01/16 - 08/31/17	73,440	63,717
SUBTOTAL RACE TO THE TOP - EARLY LEARNING CHALLENGE				315,897	232,463
PASS-THROUGH MD STATE DEPARTMENT OF ED.					
NATIONAL SCHOOL LUNCH PROGRAM*	10.555	N/A	07/01/16 - 06/30/17	N/A	2,127,231
PASS-THROUGH MD STATE DEPARTMENT OF ED.					
SCHOOL BREAKFAST PROGRAM*	10.553	N/A	07/01/16 - 06/30/17	N/A	845,542
PASS-THROUGH MD STATE DEPARTMENT OF ED.					
SUMMER FOOD SERVICE PROGRAM*	10.559	N/A	07/01/16 - 06/30/17	N/A	14,684
PASS-THROUGH MD STATE DEPARTMENT OF ED.					
AFTER SCHOOL SNACKS*	10.555	N/A	07/01/16 - 06/30/17	N/A	1,163
FOOD DONATION*					
SUBTOTAL CHILD NUTRITION CLUSTER	10.555	N/A	07/01/16 - 06/30/17	N/A	304,752
				N/A	3,293,372
PASS-THROUGH MD STATE DEPARTMENT OF ED.					
FRESH FRUIT & VEGETABLE PROGRAM	10.582	N/A	07/01/16 - 06/30/17	N/A	13,103
SUBTOTAL FRESH FRUIT & VEGETABLE PROGRAM				N/A	13,103
PASS-THROUGH FROM APPALACHIAN REGIONAL COMMISSION					
APPALACHIAN AREA DEVELOPMENT*	23.002	160199-17	08/01/15 - 11/30/16	110,000	9,000
SUBTOTAL APPALACHIAN AREA DEVELOPMENT				110,000	9,000
Totals				\$ 13,594,972	\$ 9,928,325

BOARD OF EDUCATION OF ALLEGANY COUNTY

**NOTES TO SUPPLEMENTARY SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes all federal grants which had financial activity during the fiscal year ended June 30, 2017. 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, 2017.

BOARD OF EDUCATION OF ALLEGANY COUNTY

**NOTES TO SUPPLEMENTARY SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

NOTE 4 - REVENUE RECONCILIATION

Revenue recognized from federal sources per the schedule of expenditures of federal awards does not include fee for service revenue. Federal revenue from the Medical Assistance Program (CFDA number 93.778) and Medicare Part D totaled \$2,007,725 for the year ended June 30, 2017.

Total revenue from federal sources per the basic financial statements is \$11,930,537. Total revenue from federal sources per the schedule of expenditures of federal awards is \$9,928,325. The fee for service revenue accounts for part of this difference. The remaining difference is attributable to variances in USDA Commodities as follows:

USDA Commodities per MSDE	\$ 304,752
Unspent produce funds	(2,011)
Pricing differences	(578)
Shortages	(1,555)
Balance with processor	(1,368)
USDA Commodities per Financial Statements	\$ 299,240

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

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 number 84.027, 84.173) and Preschool Development Grants (CFDA number 84.419B) 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 did not qualify as a low-risk auditee.

The auditee has elected not to use the 10% de minimis indirect cost rate. The auditee's indirect cost rate is approved annually by the Maryland State Department of Education. For the year ended June 30, 2017, the indirect cost rate was 1.90%

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

II. FINANCIAL STATEMENT FINDINGS

Internal Control Findings

2017-001 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, 2017

II. FINANCIAL STATEMENT FINDINGS - continued

Internal Control Findings - continued

2017-002 Ineffective Internal Controls Related to Payroll

Criteria: Per the Board of Education's payroll policy, all payroll data is entered from timesheets submitted by employees. Every timesheet should be signed by the employee and the employee's principal or supervisor prior to submission to the payroll department.

Condition: Timesheets were not submitted for teachers for the final payroll of the fiscal year.

Context: One of sixty items selected for internal control testing represented the last payroll of the fiscal year for teachers. When supporting documentation was requested for this item it was discovered that timesheets for teachers were not submitted.

Effect: Teachers could have received pay even if they were not entitled. Teachers could have been paid from Federal funds who should have been paid from other sourced funds.

Cause: Because of the low number of snow days in fiscal year 2017, classes ended for students on Thursday, June 1, 2017 rather than the original date of Wednesday, June 7, 2017. Due to this change, the last day of the school year for teachers was changed to Monday, June 5, 2017. This day was then waived for teachers who were then not required to report to school after Friday, June 2, 2017. Monday, June 5, 2017 was also the first day of the last pay period for teachers and other 10-month employees. Timesheets are normally submitted on the Monday following the last day of the pay period. However, because there was only one day in the pay period, and that day was waived for teachers, no timesheets were submitted for teachers.

Recommendation: Should this situation occur again, we recommend that teachers complete and submit their timesheets for the final pay period to their principal or supervisor prior to leaving on their last day. Alternatively, principals at each school could submit a signed list of those teachers who should receive pay as a substitute for the teachers' timesheets.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

II. FINANCIAL STATEMENT FINDINGS - continued

Internal Control Findings - continued

2017-002 Ineffective Internal Controls Related to Payroll – continued

Views of Responsible Officials and Planned Corrective Action: This was a unique circumstance relative to the timing of the end of the year that led to this finding. The Board will more carefully review the payroll calendar relative to duty days for staff and make sure the appropriate documentation is captured at year end. This finding will be rendered moot when the district converts to the Tyler Munis software for HR/Payroll.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

II. FINANCIAL STATEMENT FINDINGS - continued

Internal Control Findings - continued

2017-003 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, travel policies, and procurement policies.

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

Context: In reviewing prior audit findings, 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. These items continue to be issues in fiscal year 2017 which resulted in the delay in the adoption and implementation of said policies.

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: The Board is in agreement with this recommendation. Finance staff has met with legal counsel to draft these procedures. The policy and regulations will be taken to the Board's policy committee in the near future where they will be further refined and taken up by the Board for discussion and approval.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

II. FINANCIAL STATEMENT FINDINGS - continued

Internal Control Findings - continued

2017-004 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. Non-federal entities who enter into transactions with an entity at a lower tier must verify that the entity is not suspended or debarred or otherwise excluded from participating in the transaction.

Condition: The Board of Education's purchasing policy requires that solicitations for purchases include a statement that any vendor must notify the school system if it is or becomes suspended or debarred from federal contracts. However, the policy does not include independent verification of such status.

Context: As part of following up on prior year findings, we discovered that the policy was revised to include language regarding suspension and debarment but that independent verification of a vendor's status was not included.

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

Cause: Prior to the inclusion of the language related to suspension and debarment, such policies and procedures had never been adopted by the Board.

Recommendation: We recommend that the Board of Education enhance the language in the current policy to include independent verification of the suspension/debarment status of vendors. This can be done via a search for excluded parties at www.sam.gov. We also recommend that this issue be addressed as part of the adoption and implementation of procurement policies in conformity with the Uniform Guidance discussed at finding 2017-003.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

II. FINANCIAL STATEMENT FINDINGS - continued

Internal Control Findings - continued

**2017-004 Lack of Policies and Procedures Regarding Suspended/Debarred Parties –
continued**

Views of Responsible Officials and Planned Corrective Action: While suspension and debarment language is included in the existing policy, the Board does support this recommendation and will add language to the existing policy to include Board verification of vendor status relative to suspension or debarment.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

II. FINANCIAL STATEMENT FINDINGS - continued

Internal Control Findings - continued

2017-005 Ineffective Internal Controls Related to Fixed Assets

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

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

Context: As part of fixed asset testing, we discovered that the fixed asset additions for the year had not been properly tagged in accordance with the Board's policy.

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

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

Recommendation: We recommend that untagged fixed assets purchased in fiscal years 2016 and 2017 be tagged immediately. We further recommend that going forward, fixed asset purchases should be tagged and entered into the system upon receipt rather than waiting to do so as part of year-end procedures.

Views of Responsible Officials and Planned Corrective Action: The Chief Financial Officer and Senior Accountant are aware of the issue and the immediacy with which it needs to be corrected. They intend to start the process immediately.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

II. FINANCIAL STATEMENT FINDINGS - continued

Compliance Findings

2017-006 Compliance with Time and Effort Requirements

Criteria: The Uniform Guidance indicates that charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. The Board of Education fulfills these requirements through the maintenance of semi-annual certifications.

Condition: Semi-annual certifications were not maintained for three (3) employees paid with Federal Special Education funds.

Context: During compliance testing for Special Education it was determined that semi-annual certifications had not been prepared for three (3) employees.

Effect: Noncompliance with time and effort requirements could result in disallowance of costs and return of funds to the granting agency.

Cause: The employees in question were inadvertently omitted when the semi-annual certifications were prepared. Changes in the format of the semi-annual certifications (as prescribed by MSDE) and the change in the Supervisor of Special Education position may also have been contributing factors.

Recommendation: We recommend that Special Education administrators be more diligent in the preparation of semi-annual certifications to ensure that they are maintained for all required employees. We also recommend that these administrators consult the list of employees paid from Special Education funds as part of the process.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

II. FINANCIAL STATEMENT FINDINGS - continued

Compliance Findings - continued

2017-006 Compliance with Time and Effort Requirements - continued

Views of Responsible Officials and Planned Corrective Action: The Board is in agreement with the auditors' recommendation and will adopt controls to verify that employees funded with Special Education Grants are considered on semi-annual certifications. The district and auditor worked collaboratively on certification requirements at year end and the Board is confident that the certification requirements will be met going forward.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

II. FINANCIAL STATEMENT FINDINGS - continued

Compliance Findings - continued

2017-007 Compliance with Eligibility Requirements

Criteria: Beneficiaries of Preschool Development grants are children who are age four (4) and who come from families whose income is at or below 200% of federal poverty guidelines.

Condition: Income eligibility requirements were not met for one (1) student tested.

Context: One (1) of five (5) applications tested resulted in noncompliance with the eligibility requirements of Preschool Development grants.

Effect: Noncompliance with eligibility requirements could result in disallowance of costs and return of funds to the granting agency.

Cause: Eligibility was based on income information indicated on the face of the application. Using this information, the child was eligible to receive benefits. However, documents provided to support the family's income indicated higher income than what was reported on the face of the application. Using this information, the child was not eligible to receive benefits based on income eligibility requirements.

Recommendation: We recommend that staff making eligibility determinations compare supporting documentation provided by the applicants to amounts indicated on the face of the application to ensure that they agree and support the eligibility determination.

Views of Responsible Officials and Planned Corrective Action: The Board is in agreement with this recommendation.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

II. FINANCIAL STATEMENT FINDINGS - continued

Compliance Findings - continued

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

Criteria: The Data Collection Form is due the earlier of 30 days after receipt of the auditors' report(s) or nine (9) months after year end. For the Board of Education, nine months after year end is March 31.

Condition: The Board of Education did not timely file the fiscal year 2016 Data Collection Form.

Context: As the prior year auditor, we were aware that the fiscal year 2016 Data Collection Form was not filed timely.

Effect: The Board of Education is not considered a low-risk auditee for fiscal year 2017 and must meet 40% coverage of Federal programs for the single audit.

Cause: Due to various issues, including employee turnover near year end, the financial statement audit was not completed until after the due date of the Data Collection Form. As the audited financial statements are a required component of the single audit reporting package, the Data Collection Form was not filed within the filing deadline.

Recommendation: We recommend that the Finance Department and other departments involved in the year end and audit preparation procedures work more diligently to ensure that the audit, and consequently the Data Collection Form, can be completed in a timely manner.

Views of Responsible Officials and Planned Corrective Action: There was significant turnover within the department which led to the fiscal 2016 audit being late and the Data Collection Form not being filed timely. The Board will file the fiscal 2017 Data Collection Form timely and agrees that all aspects of the financial audit process need to be timely.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Internal Control Findings

2017-001 Monitoring of Internal Controls over Federal Awards

Federal Programs: All Major Programs

As discussed in finding 2017-001 in the internal control section of section II, the Board does not have an adequate system in place to provide ongoing or separate evaluations of the effectiveness of the Board's system of internal control. No questioned costs were noted as a result of this finding.

2017-002 Ineffective Internal Controls Related to Payroll

Federal Programs: All Major Programs

As discussed in finding 2017-002 in the internal control section of section II, timesheets were not submitted for the final pay for teachers for the fiscal year. This was noted as part of internal control testing for the Special Education Cluster (CFDA number 84.027 and 84.173). However, it was determined that this was a system-wide issue for this particular pay and affected all federal programs. No questioned costs were noted as a result of this finding.

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

Federal Programs: All Major Programs

As discussed in finding 2017-003 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 as a result of this finding.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS – continued

Internal Control Findings - continued

2017-004 Lack of Policies and Procedures Regarding Suspended/Debarred Parties

Federal Programs: All Major Programs

As discussed in finding 2017-004 in the internal control section of section II, the Board has not adopted and implemented policies and procedures to verify the status of vendors receiving payments from federal funds regarding suspension and debarment by the federal government. No questioned costs were noted as a result of this finding.

Internal Control Findings - continued

2017-005 Ineffective Internal Controls Related to Fixed Assets

Federal Programs: All Major Programs

As discussed in finding 2017-005 in the internal control section of section II, the Board failed to tag fixed asset additions in accordance with the fixed asset policy. No questioned costs were noted as a result of this finding.

Compliance Findings

2017-006 Compliance with Time and Effort Requirements

Federal Programs: CFDA # 84.027, 84.173 Special Education Cluster

As discussed in finding 2017-006 in the compliance section of section II, time and effort documentation was not maintained for three (3) employees. Documentation was retroactively obtained upon discovery. No questioned were costs noted as a result of this finding.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS – continued

Compliance Findings - continued

2017-007 Compliance with Eligibility Requirements

Federal Programs: CFDA # 84.419B Preschool Development Grants

As discussed in finding 2017-007 in the compliance section of section II, income eligibility requirements were not met for one (1) of five (5) students tested. Questioned costs of \$3,186 were noted as a result of this finding.

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

Federal Programs: All Major Programs

As discussed in finding 2017-007 in the compliance section of section II, the fiscal year 2016 Data Collection Form was not timely filed. No questioned costs were noted as a result of this finding.

**BOARD OF EDUCATION
BOARD OF EDUCATION OF ALLEGANY COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2017**

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.

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

All Major Programs

Finding: 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.

Current Status: Language was added to the Board of Education's purchasing policy related to suspension and debarment. However, the new language did not address the verification of said status as prescribed by the Uniform Guidance. This continues to be a finding (see finding 2017-004).

BOARD OF EDUCATION
BOARD OF EDUCATION OF ALLEGANY COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2017

2016-003

Lack of Written Policies as Required by the Uniform Guidance

All Major Programs

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

Current Status: No corrective action has been taken related to this finding. Finding 2017-003 continues to address this issue which includes the policies noted above as well as procurement policies for 2017.

2016-004

Compliance with the Requirements of the Davis-Bacon Act

Appalachian Area Development Grants CFDA No. 23.002

Finding: The wage rate requirements of the Davis-Bacon Act were not considered with respect to the extension of the fiber network funded by these grants.

Current Status: No direct corrective action was taken regarding this grant. However, because the program funding for construction has ended, this is not a finding for the current year. As this has been a finding in the past for other programs it should be noted that discussions have taken place between the CFO, Chief Technology Officer and the Director of Facilities to work towards a better understanding of the application of these requirements.

BOARD OF EDUCATION
BOARD OF EDUCATION OF ALLEGANY COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2017

2016-005

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

All Major Programs

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

Current Status: No corrective action has been taken related to this finding. The postponement period ended June 30, 2016. The procurement policies were not implemented in fiscal year 2017 which is discussed in finding 2017-003.