

BOARD OF EDUCATION OF ALLEGANY COUNTY

SINGLE AUDIT

JUNE 30, 2018

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, 2018, 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 July 16, 2019.

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 have not been identified. However, as described in the accompanying schedule of

findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2018-002 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2018-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 2018-003, 2018-004, and 2018-005.

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
July 16, 2019

**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, 2018. 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, 2018.

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 2018-003, 2018-004, and 2018-005. 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 2018-003, 2018-004, and 2018-005, 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, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements. We issued our report thereon dated July 16, 2019, 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.

Helen, Michaels + Company

Cumberland, Maryland
July 16, 2019

BOARD OF EDUCATION OF ALLEGANY COUNTY
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

| 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 | 170925-01 | 07/01/16 - 09/30/18 | 2,681,135 | 118,974 |
| TITLE I | 84.010 | 180654-01 | 07/01/17 - 09/30/19 | 2,970,783 | 2,702,364 |
| SUBTOTAL TITLE I | | | | 5,651,918 | 2,821,338 |
| PASS-THROUGH MD STATE DEPARTMENT OF ED. | | | | | |
| SPECIAL EDUCATION | 84.027 | 170212-01 | 07/01/16 - 09/30/18 | 2,104,626 | 2,884 |
| SPECIAL EDUCATION | 84.027 | 170212-02 | 07/01/16 - 09/30/18 | 22,005 | 143 |
| SPECIAL EDUCATION | 84.027 | 170212-03 | 07/01/16 - 09/30/17 | 2,500 | 1,253 |
| SPECIAL EDUCATION | 84.027 | 170212-04 | 07/01/16 - 09/30/17 | 83,264 | 2,198 |
| SPECIAL EDUCATION | 84.027 | 181668-01 | 06/01/18 - 05/31/19 | 1,500 | - |
| SPECIAL EDUCATION | 84.027A | 180171-01 | 07/01/17 - 09/30/18 | 35,391 | 35,391 |
| SPECIAL EDUCATION | 84.027A | 180171-02 | 07/01/17 - 06/30/19 | 14,267 | - |
| SPECIAL EDUCATION | 84.027A | 180353-01 | 07/01/17 - 09/30/19 | 2,116,637 | 2,079,119 |
| SPECIAL EDUCATION | 84.027A | 180353-02 | 07/01/17 - 09/30/19 | 18,446 | 18,426 |
| SPECIAL EDUCATION | 84.027A | 180353-03 | 07/01/17 - 09/30/18 | 2,500 | 1,276 |
| SPECIAL EDUCATION | 84.027A | 180353-04 | 07/01/17 - 09/30/18 | 45,123 | 38,457 |
| SPECIAL EDUCATION | 84.027A | 180353-05 | 07/01/17 - 09/30/18 | 500 | 405 |
| SPECIAL EDUCATION | 84.027A | 180353-06 | 07/01/17 - 09/30/18 | 16,000 | 15,169 |
| SPECIAL EDUCATION | 84.027A | 180353-07 | 07/01/17 - 09/30/18 | 35,365 | 31,020 |
| SPECIAL EDUCATION | 84.027A | 180956-01 | 07/01/16 - 09/30/18 | 7,029 | 7,029 |
| SPECIAL EDUCATION | 84.027A | 181286-01 | 12/01/17 - 09/30/19 | 74 | 74 |
| SPECIAL EDUCATION | 84.027A | 181494-01 | 02/01/18 - 09/30/19 | 60,000 | 22,423 |
| SPECIAL EDUCATION | 84.027A | 181612-01 | 04/04/18 - 09/30/19 | 21,552 | - |
| SPECIAL EDUCATION - PRESCHOOL GRANTS | 84.173 | 180203-01 | 07/01/17 - 09/30/18 | 39,471 | - |
| SPECIAL EDUCATION - PRESCHOOL GRANTS | 84.173 | 180203-02 | 07/01/17 - 09/30/18 | 7,000 | 7,000 |
| SPECIAL EDUCATION - PRESCHOOL GRANTS | 84.173A | 180341-01 | 07/01/17 - 09/30/18 | 2,883 | 2,883 |
| SPECIAL EDUCATION - PRESCHOOL GRANTS | 84.173A | 180341-01 | 07/01/17 - 09/30/19 | 69,447 | 69,116 |
| SPECIAL EDUCATION - PRESCHOOL GRANTS | 84.173A | 180341-02 | 07/01/17 - 09/30/19 | 472 | 472 |
| SUBTOTAL SPECIAL EDUCATION | | | | 4,706,052 | 2,334,737 |
| PASS-THROUGH MD STATE DEPARTMENT OF ED. | | | | | |
| VOCATIONAL EDUCATION | 84.048 | 180601-01 | 07/01/17 - 06/30/18 | 125,317 | 125,317 |
| VOCATIONAL EDUCATION | 84.048 | 180870-01 | 07/01/17 - 06/30/18 | 9,836 | 9,836 |
| SUBTOTAL VOCATIONAL EDUCATION | | | | 135,153 | 135,153 |
| PASS-THROUGH MD STATE DEPARTMENT OF ED. | | | | | |
| S.E. - GRANTS FOR INFANTS & FAM. WITH DIS. | 84.181A | 164367-02 | 07/01/15 - 09/30/17 | 10,000 | 2,982 |
| S.E. - GRANTS FOR INFANTS & FAM. WITH DIS. | 84.181A | 180183-01 | 07/01/17 - 09/30/18 | 78,477 | 76,307 |
| SUBTOTAL GRANTS FOR INFANTS & FAM WITH DIS. | | | | 88,477 | 79,289 |
| PASS-THROUGH MD STATE DEPARTMENT OF ED. | | | | | |
| 21ST CENTURY COMMUNITY LEARNING CENTERS | 84.287 | 170911-01 | 09/01/16 - 09/30/17 | 224,670 | 7,454 |
| 21ST CENTURY COMMUNITY LEARNING CENTERS | 84.287 | 170912-01 | 09/01/16 - 09/30/17 | 260,100 | 14,022 |
| 21ST CENTURY COMMUNITY LEARNING CENTERS | 84.287 | 181147-01 | 09/01/17 - 08/31/18 | 208,080 | 204,075 |
| SUBTOTAL 21ST CENTURY COMMUNITY LEARNING CENTERS | | | | 692,850 | 225,551 |
| PASS-THROUGH MD STATE DEPARTMENT OF ED. | | | | | |
| TITLE II - SUPPORTING EFFECTIVE INSTRUCTION STATE GRANTS* | 84.367 | 165308-01 | 07/01/15 - 09/30/17 | 628,893 | 13,206 |
| TITLE II - SUPPORTING EFFECTIVE INSTRUCTION STATE GRANTS* | 84.367 | 171571-01 | 04/01/17 - 09/30/17 | 1,805 | 1,750 |
| TITLE II - SUPPORTING EFFECTIVE INSTRUCTION STATE GRANTS* | 84.367 | 170962-01 | 07/01/16 - 09/30/18 | 620,341 | 74,802 |
| TITLE II - SUPPORTING EFFECTIVE INSTRUCTION STATE GRANTS* | 84.367 | 181262-01 | 07/01/17 - 09/30/19 | 434,236 | 308,655 |
| SUBTOTAL TITLE II | | | | 1,685,275 | 398,413 |
| PASS-THROUGH MD STATE DEPARTMENT OF ED. | | | | | |
| COMPETITIVE GRANTS FOR STATE ASSESSMENTS | 84.368A | 181618-01 | 04/01/18 - 06/30/18 | 4,300 | 4,300 |
| SUBTOTAL COMPETITIVE GRANTS FOR STATE ASSESSMENTS | | | | 4,300 | 4,300 |

BOARD OF EDUCATION OF ALLEGANY COUNTY
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

| GRANT NAME | CFDA NUMBER | GRANT NUMBER | GRANT PERIOD | ORIGINAL GRANT | EXPENDITURES |
|---|--|--|--|---|---|
| PASS-THROUGH MD STATE DEPARTMENT OF ED. COMPREHENSIVE LITERACY DEVELOPMENT SUBTOTAL COMPREHENSIVE LITERACY DEVELOPMENT | 84.371C | 181744-01 | 10/01/17 - 09/30/18 | 600,000 600,000 | - - |
| PASS-THROUGH MD STATE DEPARTMENT OF ED. STATEWIDE LONGITUDINAL DATA SYSTEMS STATEWIDE LONGITUDINAL DATA SYSTEMS STATEWIDE LONGITUDINAL DATA SYSTEMS SUBTOTAL STATEWIDE DATA SYSTEMS | 84.372A 84.372A 84.372A | 180670-01 180812-01 181648-01 | 07/01/17 - 09/30/18 07/01/17 - 06/30/18 06/01/18 - 08/31/18 | 1,880 2,580 4,126 8,586 | 1,620 2,580 - 4,200 |
| PASS-THROUGH FROM MD STATE DEPARTMENT OF ED. PRESCHOOL DEVELOPMENT GRANTS* PRESCHOOL DEVELOPMENT GRANTS* PRESCHOOL DEVELOPMENT GRANTS* PRESCHOOL DEVELOPMENT GRANTS* SUBTOTAL PRESCHOOL DEVELOPMENT GRANTS | 84.419B 84.419B 84.419B 84.419B | 170602-01 170610-01 180556-01 180609-02 | 07/01/16 - 08/31/17 07/01/16 - 08/31/17 07/01/17 - 06/30/18 07/01/17 - 08/31/18 | 165,000 73,440 62,424 165,000 465,864 | 30,569 9,724 62,424 142,619 245,335 |
| PASS-THROUGH MD STATE DEPARTMENT OF ED. STUDENT SUPPORT AND ACADEMIC ENRICHMENT PROGRAM SUBTOTAL STUDENT SUPPORT AND ACADEMIC ENRICHMENT | 84.424 | 181086-01 | 07/01/17 - 06/30/19 | 71,435 71,435 | 70,797 70,797 |
| PASS-THROUGH MD STATE DEPARTMENT OF ED. NATIONAL SCHOOL LUNCH PROGRAM* | 10.555 | N/A | 07/01/17 - 06/30/18 | N/A | 2,099,954 |
| PASS-THROUGH MD STATE DEPARTMENT OF ED. SCHOOL BREAKFAST PROGRAM* | 10.553 | N/A | 07/01/17 - 06/30/18 | N/A | 773,263 |
| PASS-THROUGH MD STATE DEPARTMENT OF ED. SUMMER FOOD SERVICE PROGRAM* | 10.559 | N/A | 07/01/17 - 06/30/18 | N/A | 11,243 |
| FOOD DONATION* SUBTOTAL CHILD NUTRITION CLUSTER | 10.555 | N/A | 07/01/17 - 06/30/18 | N/A N/A | 293,464 3,177,924 |
| PASS-THROUGH MD STATE DEPARTMENT OF ED. FRESH FRUIT & VEGETABLE PROGRAM SUBTOTAL FRESH FRUIT & VEGETABLE PROGRAM | 10.582 | N/A | 07/01/17 - 06/30/18 | N/A N/A | 13,183 13,183 |
| PASS-THROUGH FROM APPALACHIAN REGIONAL COMMISSION APPALACHIAN AREA DEVELOPMENT SUBTOTAL APPALACHIAN AREA DEVELOPMENT | 23.002 | 180199-28 | 06/01/18 - 09/30/18 | 75,000 75,000 | - - |
| Totals | | | | \$ 14,184,910 | \$ 9,510,219 |

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, 2018. 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, 2018.

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 \$2,007,634 for the year ended June 30, 2018.

Total revenue from federal sources per the basic financial statements is \$11,518,499. Total revenue from federal sources per the schedule of expenditures of federal awards is \$9,510,219. 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 | \$ | 293,464 |
| Unspent produce and poultry funds | | (49) |
| Pricing differences | | <u>695</u> |
| USDA Commodities per Financial Statements | \$ | <u><u>294,110</u></u> |

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

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.

Child Nutrition Cluster (CFDA number 10.553, 10.555, 10.559), Title II (CFDA number 84.367) and Preschool Development Grants (CFDA number 84.419B) were tested as major programs.

The audit of financial statements disclosed a material weakness and a significant deficiency 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 sections II and 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, 2018, the indirect cost rate for restricted funds was 1.93%

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

II. FINANCIAL STATEMENT FINDINGS

Internal Control Findings

2018-001 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.

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

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

Repeat Finding: This finding is a repeat of a finding in the prior year audit.

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 the 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, 2018

II. FINANCIAL STATEMENT FINDINGS - continued

Internal Control Findings - continued

2018-002 Material Adjustments to the Financial Statements were Required

Criteria: Governmental entities are required to maintain a system of internal controls such that all material transactions are properly recorded as to amount, account, and period.

Condition: Material adjustments to the Board's financial statements were required.

Cause: The Board's internal control procedures were not sufficient to prevent, or detect and correct, material misstatements in a timely manner.

Effect: Prior to making these adjustments, the financial statements were materially misstated and could have improperly influenced the users of the financial statements.

Repeat Finding: This finding is not a repeat of a finding from the prior year audit.

Recommendation: We recommend that the Board either strengthen current internal control policies and procedures or adopt additional internal control policies and procedures to ensure that all material transactions are properly recorded as to amount, account, and period.

Views of Responsible Officials and Planned Corrective Action: The Board is committed to strengthening internal controls where appropriate to ensure all material transactions are properly recorded within the financial statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

II. FINANCIAL STATEMENT FINDINGS - continued

Compliance Findings

2018-003 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 2018.

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.

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.

Repeat Finding: This finding is a repeat of a finding from the prior year audit.

Recommendation: We recommend that untagged fixed assets purchased in fiscal years 2018 and 2019 be tagged immediately. We further recommend that going forward, steps should be taken to ensure that all fixed asset purchases are tagged and entered into the system upon receipt rather than doing so as part of year-end procedures.

Views of Responsible Officials and Planned Corrective Action: The Board will diligently work to tag any untagged assets purchased during the fiscal year as well as update assets purchased during fiscal 2019 as quickly as possible. The Board also acknowledges that the timing of the updating of systemic records should occur upon receipt versus as part of year end procedures.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

II. FINANCIAL STATEMENT FINDINGS - continued

Compliance Findings - continued

2018-004 Lack of Written Procurement Policies as Required by the Uniform Guidance

Criteria: Per the Uniform Guidance, recipients of federal awards are required to adopt certain written policies including procurement policies which comply with the requirements enumerated in the Uniform Guidance.

Condition: Upon review of the Board's policy related to federal awards, it was noted that the procurement section of the policy did not meet the requirements of the Uniform Guidance.

Cause: The *Procurement of Goods and Services to Implement Federal Awards* section of the policy currently reiterates a portion of the *Allowability of Costs Related to Federal Awards* section. The Procurement section does not include any of the requirements of the Uniform Guidance as relates to the procurement standards. The exclusion of these requirements appears to be a clerical error as the information contained in the Procurement section is identical to a portion of the Allowability of Costs section. However, the error was not noted with either the first or second reading of the policy prior to adoption.

Effect: Purchases could be made using federal funds that are not in accordance with the Uniform Guidance.

Repeat Finding: This finding is a repeat of a finding from the prior year audit.

Recommendation: We recommend that the Board of Education revise the current policy to correct the error related to procurement as soon as possible in order to be in compliance with the Uniform Guidance.

Views of Responsible Officials and Planned Corrective Action: The district did make changes in the policy during the fiscal year, but agrees that the policy needs to go back to committee and be updated to reflect the entirety of the procedures required within the Uniform Guidance.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

II. FINANCIAL STATEMENT FINDINGS - continued

Compliance Findings - continued

2018-005 Failure to Timely File Fiscal Year 2018 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 2018 Data Collection Form.

Cause: Due to various issues, neither the Single Audit nor the financial statement audit for the year ended June 30, 2018 were completed until after the latest possible due date of the Data Collection Form, i.e. March 31, 2019. As such, the Data Collection Form was not filed within the filing deadline.

Effect: The Board of Education is not considered a low-risk auditee for fiscal year 2019 and must meet 40% coverage of Federal programs for the Single Audit.

Repeat Finding: This finding is a repeat of a finding from the prior year audit.

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: Fiscal 2018 was a difficult year in finance as it launched a new financial reporting system as well as completed a legislative audit during fiscal 18 and into fiscal 19. Legislative audits are extremely time consuming and taxing on system resources. The Board is in agreement with the finding 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, 2018

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Internal Control Findings

2018-001 Monitoring of Internal Controls over Federal Awards

Federal Programs: All Major Programs

As discussed in finding 2018-001 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.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS – continued

Compliance Findings

2018-003 Ineffective Internal Controls Related to Fixed Assets

Federal Programs: All Major Programs

As discussed in finding 2018-003 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.

2018-004 Lack of Written Policies as Required by the Uniform Guidance

Federal Programs: All Major Programs

As discussed in finding 2018-004 in the internal control section of section II, the Board has not developed and adopted written policies related to procurement which meet the requirements of the Uniform Guidance. No questioned costs were noted as a result of this finding.

2018-005 Failure to Timely File Fiscal Year 2018 Data Collection Form

Federal Programs: All Major Programs

As discussed in finding 2018-005 in the compliance section of section II, the fiscal year 2018 Data Collection Form was not timely filed. No questioned costs were noted as a result of this finding.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2018

08-01 Monitoring of Internal Controls

All Major Programs

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

Current Status: The Board of Education has not implemented an internal audit/monitoring function.

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: In fiscal year 2017, 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 and this issue was again reported in Schedule of Findings and Questioned Costs as finding 2017-004. In fiscal year 2018, the policy was revised to include independent verification of a proposed vendor's suspension or debarment by consulting www.sam.gov. This is no longer considered to be a finding.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2018

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: The Board of Education has adopted appropriate policies related to cash management, cost allowability procedures and travel policies that are in compliance with the Uniform Guidance. This is no longer considered to be a finding.

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 have not been implemented as discussed at finding 2018-004.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2018

2017-002 Ineffective Internal Controls Related to Payroll

All Major Programs

Finding: This finding was due to a waiver for the last day for teachers in FY17 which was a Monday. Teachers did not report to school that day and, as such, did not submit timesheets for this day.

Current Status: The Board of Education implemented our recommendation that teachers submit a final timesheet prior to leaving on their last day of school. This recommendation was implemented as the same situation occurred at the end of FY18. This issue has been remedied and, as such, is no longer considered a finding.

2017-003 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, travel policies, and procurement policies.

Current Status: Policies meeting the requirements of the Uniform Guidance related to cash management, cost allowability procedures, and travel were adopted and implemented in fiscal year 2018. The procurement procedures adopted in fiscal year 2018 were not compliant with the Uniform Guidance. This continues to be a finding related to procurement only as discussed at finding 2018-004 in the Schedule of Findings and Questioned Costs.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2018

2017-005 Ineffective Internal Controls Related to Fixed Assets

All Major Programs

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

Current Status: Barcodes were affixed to fixed assets purchased in fiscal year 2017 as of June 30, 2018. However, fixed assets purchased in fiscal year 2018 were not tagged as of June 30, 2018, and, as such, this continues to be a finding.

2017-006 Compliance with Time and Effort Requirements

Special Education Cluster

CFDA # 84.027, 84.173

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

Current Status: The required documentation was retroactively obtained upon discovery and no issues related to compliance with time and effort requirements were noted during fiscal year 2018 testing. This is no longer considered to be a finding.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2018

2017-007 Compliance with Eligibility Requirements

Preschool Development Grants

CFDA # 84.419B

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

Current Status: The Board of Education implemented our recommendation 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. Preschool Development Grants were a major program again for fiscal year 2018. Eligibility testing for fiscal year 2018 resulted in no noncompliance. This finding has been remedied and, as such, is no longer considered to be a finding.

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

All Major Programs

Finding: The Data Collection Form for fiscal year 2016 was not filed timely.

Current Status: The Data Collection Form has been filed for fiscal year 2016. The Data Collection Form for fiscal year 2017 was timely filed; however, the form for fiscal year 2018 has not been filed as of the date of this report, which is past the filing deadline. As such, this continues to be a finding.