

**ALLEGANY COUNTY, MARYLAND
SINGLE AUDIT REPORT
JUNE 30, 1997**

***DELANEY, TURNBULL & ASSOCIATES, P.A.
Certified Public Accountants***

**ALLEGANY COUNTY, MARYLAND
SINGLE AUDIT REPORT
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DELANEY, TURNBULL & ASSOCIATES, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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**Independent Auditor's Report on Compliance and
on Internal Control Over Financial Reporting Based
On An Audit Of Financial Statements Performed In
Accordance With Government Auditing Standards**

To the Board of Allegany
County Commissioners

We have audited the general purpose financial statements of Allegany County, Maryland as of and for the year ended June 30 1997, and have issued our report thereon dated November 25, 1997. Our report was modified to refer to the reports of other auditors. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Allegany County, Maryland's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Allegany County, Maryland's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Commissioners of Allegany County, Maryland, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Delaney, Turnbull & Associates, P.A.

November 25, 1997

DELANEY, TURNBULL & ASSOCIATES, P.A.

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**Independent Auditor's Report on Compliance
with Requirements Applicable to Each
Major Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133**

To the Board of Allegany
County Commissioners

Compliance

We have audited the compliance of Allegany County, Maryland with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 1997. Allegany County, Maryland's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Allegany County, Maryland's management. Our responsibility is to express an opinion on Allegany County, Maryland's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Allegany County, Maryland's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Allegany County, Maryland's compliance with those requirements.

In our opinion, Allegany County, Maryland complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1997.

Internal Control Over Compliance

The management of Allegany County, Maryland is responsible for establishing and maintaining effective internal controls over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Allegany County, Maryland's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the general purpose financial statements of Allegany County, Maryland as of and for the year ended June 30, 1997, and have issued our report thereon dated November 25, 1997. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended for the information of the Board of Commissioners of Allegany County, Maryland, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Delaney, Turnbull & Associates, P.A." The signature is written in a cursive, flowing style.

November 25, 1997

ALLEGANY COUNTY, MARYLAND
PRIMARY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1997

FEDERAL GRANTOR/AGENCY PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL GRANT NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM/ AWARD AMOUNT	BEGINNING BALANCE AT JULY 1, 1996	REVENUES	OTHER FINANCING SOURCES/USES	EXPENDITURES	ENDING BALANCE AT JUNE 30, 1997	PASS-THROUGH TO SUBRECIPIENTS
US Dept. of Agriculture:										
Direct:										
\Farmers Home Administration:										
Mexico Farms utility relocation	10.769	N/A	N/A	360,107	\$0	\$0	\$0	\$0	\$0	\$0
Mexico Farms water & sewer grant	10.770	N/A	N/A	906,800	0	0	0	0	0	\$0
Mexico Farms water & sewer loan	10.770	N/A	N/A	420,000	0	0	0	0	0	0
Cash Valley Road Sewer grant	10.770	N/A	N/A	100,600	(53,978)	9,737	47,530	3,289	0	0
Cash Valley Road Sewer loan	10.770	N/A	N/A	147,000	0	0	0	0	0	0
Oldtown Road Sewer Grant	10.770	N/A	N/A	1,392,500	(165,064)	245,922	0	80,858	0	0
Oldtown Road Sewer Loan	10.770	N/A	N/A	557,500	0	(219,042)	\$255,659	\$47,530	\$84,147	\$0
Subtotal CDFA #10.770										\$0
\Natural Resource Conservation Service										
Flood Inspection Services	10.904	N/A	N/A	N/A	0	45,351	0	45,351	0	0
Indirect:										
\Food and Nutrition Service:										
Pass through Maryland Dept. of Education:										
Summer Camp Program	10.559	N/A	MR 248 MRS	N/A	0	2,032	9,800	11,832	0	2,032
Total US Department of Agriculture					(219,042)	\$303,042	\$57,330	\$141,330	\$0	\$2,032
US Department of Commerce:										
Direct:										
\Economic Development Administration:										
Multi-Tenant Industrial Building	11.300	01-01-03238	N/A	972,000	(198,168)	0	50,834	0	(147,334)	
Riverside Industrial Park	11.300	01-01-03368	N/A	1,960,000	(161,479)	1,006,003	0	836,559	\$7,965	
Indirect:										
EDA Proj Income - Multi-Tenant Rent	11.300	N/A	N/A	0	0	54,000	(54,000)	0	0	
Total US Department of Commerce					(359,647)	\$1,060,003	(\$3,166)	\$836,559	(\$139,369)	\$0
US Dept. of Housing and Urban Development										
Indirect:										
\Community Planning and Development										
CDBG Project Income - Lonaconing	14.219	N/A	N/A	N/A	\$0	\$2,284	(\$2,284)	\$0	\$0	\$0
CDBG Project Income - Housing	14.219	N/A	N/A	N/A	240,143	6,877	(17,567)	12,824	216,629	
CDBG Project Income - Economic Opportunity	14.219	N/A	N/A	N/A	212,811	131,337	0	0	344,148	
Subtotal CPDA #14.219					452,954	140,498	(19,851)	12,824	560,777	\$0

ALLEGANY COUNTY, MARYLAND

PRIMARY GOVERNMENT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1997

FEDERAL GRANTOR/AGENCY PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL GRANT NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM/ AWARD AMOUNT	BEGINNING BALANCE AT JULY 1, 1996	REVENUES	OTHER FINANCING SOURCES/USES	ENDING BALANCE AT JUNE 30, 1997	PASS-THROUGH TO SUBRECIPIENTS	
<u>US Dept. of Housing and Urban Development (Con't)</u>										
Indirect (Con't):										
\Community Planning and Development										
Passed through Maryland Dept. of										
Economic and Community Development:										
Section 8 Existing	14.156	P-3507	MD06-E020	N/A	3,903	435,575	0	434,229	5,249	
Section 8 Mod Rehab	14.156	P-3525	MD06-K020	N/A	1,163	22,873	0	23,105	931	
Section 8 Existing Admin	14.156	P-3507	MD06-E020	N/A	0	42,085	0	42,085	0	
Section 8 Mod Rehab Admin	14.156	P-3525	MD06-K020	N/A	0	3,300	0	3,300	0	
Subtotal CFDA #14.156					5,066	503,833	0	502,719	6,180	
Section 8 Voucher Program	14.177	P-3507V	MD06-V020	N/A	2,114	95,387	0	96,510	991	
Section 8 Voucher Program Admin	14.177	P-3507V	MD06-V020	N/A	0	9,879	0	9,879	0	
Subtotal CFDA #14.177					2,114	105,266	0	106,389	991	
Spring Street Water Project	14.228	N/A	MD-89-CD-01	7,500	0				0	
Frostburg Industrial Park Expansion	14.228	N/A	MD-89-ED-39	1,000,350	(97)				(97)	
Cash Valley Road Sewer	14.228	N/A	MD-91/92-SP-41	304,595	0				0	
Cash Valley & Other County Hookups	14.228	N/A	MD-91/92-SP-41	33,000	3,490	7,905	10,000	13,468	7,927	
Borden Zilman Waterline	14.228	N/A	MD-93-CD-12	500,000	(7,492)	455,000	0	942,990	(495,482)	
Schade Expansion	14.228	N/A	MD-91-ED-76	930,414	0				0	
Industrial Park Sewer	14.228	N/A	MD-91-ED-75	130,700	0				0	
Mexico Farms water & sewer (214)	14.228	N/A	MD-91-ED-75	369,300	0				0	
Cumberland Pasta Company	14.228	N/A	MD-94-ED-76	182,000	0	0	0	0	0	
Subtotal CFDA #14.228					(4,099)	462,905	10,000	956,458	(487,652)	
Emergency Shelter Grant Program	14.231	N/A	95-ESG-BOS-1	45,000	0	23,804	0	23,804	0	
Emergency Shelter Grant Program	14.231	N/A	96-ESG-BOS-1	30,500	0	27,256	0	27,256	0	
Subtotal CFDA #14.231					0	51,060	0	51,060	51,060	
Senior Home Repair Program	14.239	N/A	N/A	N/A	4,500	500	0	5,000	0	
Special Target Area Program	14.239	N/A	N/A	N/A	28,795	88,238	0	103,579	13,454	
Subtotal CFDA #14.239					33,295	88,738	0	108,579	13,454	
\Community Planning and Development										
Passed through Maryland Dept. of										
Human Resources										
Supportive Housing Program	14.235	N/A	MD06B96-0501	196,659	0	0	0	0	0	
Supportive Housing Program	14.235	N/A	MD06B96-0504	184,508	0	0	0	0	0	
Subtotal CFDA #14.235					0	0	0	0	0	
Total US Department of HUD					\$489,330	\$1,352,300	(\$9,851)	\$1,738,029	\$93,750	\$51,060

ALLEGANY COUNTY, MARYLAND
PRIMARY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1997

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<u>US Department of Justice:</u>									
Direct:									
\Office of Community Oriented Policing Services									
COPS MORE Grant	16.710	95-CM-WX-0115	N/A	34,689	0	27,217	9,073	36,290	0
\Bureau of Justice Assistance									
Church Arson Prevention	16.580	96-DS-BX-0655	N/A	4,600	0	4,600	0	4,600	0
Local Law Enforcement Block Grant	16.592	96-LB-VX-1524	N/A	20,039	0	20,039	0	20,039	0
Indirect:									
\Office of Justice Programs:									
Passed through MD. Governor's Office of Justice Assistance									
Narcotics Task Force	16.579-80	N/A	DLE-93-089	53,937	35,698	0	(35,698)	0	0
Jail Substance Abuse Program	16.579	N/A	DLE-96-268	49,586	0	43,181	14,393	57,574	0
Pre-Trial Diversion Alternative	16.579	N/A	DLE-96-269	48,902	0	42,614	14,204	56,818	0
Passed through MD State Police									
Marijuana Eradication	16.579	N/A	N/A	N/A	0	525	0	525	0
Subtotal CFDA #16.579					0	86,320	28,597	114,917	0
Passed through Governor's Office of Crime Control & Prevention									
Domestic Violence Prosecutor	16.588	N/A	VAWA-96-012	17,500	0	6,841	1,609	8,450	0
Subtotal CFDA #16.588					\$35,698	\$145,017	\$3,581	\$164,257	\$20,039
Total US Department of Justice:									
<u>US Dept. of Transportation:</u>									
Indirect:									
\Federal Highway Administration									
Passed through Maryland Department of Transportation									
Mexico Farms Bridge Project	20.205	BH-M-7514 (1)	A708-951-612	280,000	\$0				\$0
Town Creek Bridge	20.205	BR SOS-1(252)	A727-951-612	364,768	26,554	5,476	(20,803)	11,227	0
Reynolds Road Bridge	20.205	BR SOS-1(250)	A721-951-612	375,137	0	1,481	(1,481)	0	0
\Federal Highway Administration									
Passed through Maryland Department of Transportation and Office of Planning									
Local Transportation Assistance Grant	20.205	N/A	N/A	32,621	0	0	0	0	0
Subtotal CFDA #20.205					26,554	6,957	(22,284)	11,227	0

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FOR THE YEAR ENDED JUNE 30, 1997

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US Dept. of Transportation (Con't)									
Indirect (Con't):									
\Federal Highway Administration									
Passed through Maryland Emergency Management Agency									
HMTUSA Training Grant	20.217	N/A	N/A	1,225	0	972	243	1,215	0
\Urban Mass Trans. Admin:									
Passed through Maryland Department of Transportation									
Capital Assistance	20.500	MD-03-0055-01	MD-03-0055-01	109,763	(988)	62,537	15,634	77,183	0
Capital Assistance	20.500	MD-03-0052	MD-03-0052	645,187	0	0	0	0	0
Subtotal CFDA #20.500					(988)	62,537	15,634	77,183	0
Capital Assistance	20.507	MD-90-0034	MD-90-0034	248,000	0	21,687	5,422	27,109	0
Capital Assistance	20.507	MD-90-0043	MD-90-0043	132,008	0	56,841	14,210	71,051	0
Capital Assistance	20.507	MD-90-0055	MD-90-0055	28,800	0	28,800	7,200	36,000	0
Capital Assistance	20.507	MD-90-0039	MD-90-0039	202,904	0	81,020	20,255	101,275	0
Operating Assistance (FY97)	20.507	N/A	N/A	180,307	709,908	180,307	511,545	714,284	687,476
Subtotal CPDA #20.507					709,908	368,655	558,632	949,719	687,476
Operating Assistance Suppl (FY97)	20.509	MD-18-4014	MD-18-4014	37,866	0	37,866	97,118	134,984	0
\Urban Mass Trans. Admin. & Federal Highway Administration									
Passed through Maryland Department of Transportation									
La Vale Toll Gate House	20.219	N/A	N/A	18,300	0	18,300	137,195	155,495	0
Unified Planning Work Program 97	20.505	N/A	N/A	70,433	0	56,620	15,882	88,042	(15,540)
Federal Highway Administration									
Passed through Maryland Department of Transportation Traffic Safety Div.									
EMT Training Upgrade	20.215	N/A	N/A	14,300	(14,805)	13,922	883	0	0
\Federal Highway Administration									
Passed through Maryland Department of Transportation and Allegany County Health Department									
Comprehensive Traffic Safety Prog.	20.600	N/A	N/A	3,000	(745)	2,997	2,000	3,198	1,054
Total US Department of Transportation					\$719,924	\$568,826	\$805,303	\$1,421,063	\$672,990
									\$0

ALLEGANY COUNTY, MARYLAND
PRIMARY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1997

FEDERAL GRANTOR/AGENCY PROGRAM TITLE	FEDERAL CPDA NUMBER	FEDERAL GRANT NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM/ AWARD AMOUNT	BEGINNING BALANCE AT JULY 1, 1996	REVENUES	OTHER FINANCING SOURCES/USES	ENDING BALANCE AT JUNE 30, 1997	PASS-THROUGH TO SUBRECIPIENTS
Appalachian Regional Commission:									
Direct:									
\Passed through US Dept of Commerce									
Economic Development Administration									
Multi-Tenant Industrial Bldg	23.002	MD-11037-92-1	N/A	324,000	(\$66,057)	\$0	\$16,944	\$0	(\$49,113)
Riverside Industrial Park	23.002	MD-11406-93-1	N/A	528,000	(42,926)	267,418	0	222,377	2,115
Indirect:									
Multi-Tenant Prog Income - Rent	23.002	N/A	N/A	N/A	0	18,000	(18,000)	0	0
Subtotal CPDA #23.002					(108,983)	285,418	(1,056)	222,377	(46,998)
\Passed through Maryland Dept of Housing & Community Development									
Building Performance Standards	23.011	ARC 95-144	MD-11893-95-1	21,265	(2,075)	11,914	16,122	19,836	6,125
\Passed through Maryland Office of Planning									
Consolidated Technical Assistance	23.011	ARC 95-156	MD-10952	30,000	(19,083)	24,500	3,311	8,728	0
Consolidated Technical Assistance	23.011	MD-10952-96	MD-10952-96	23,000	0	5,500	8,407	13,907	0
Subtotal CFDA #23.011					(21,158)	41,914	27,840	42,471	6,125
Total Appalachian Regional Commission					(\$130,141)	\$327,332	\$26,784	\$264,848	(\$40,873)
National Foundation of Arts & Humanities									
Direct:									
Institute of Museum Services									
Museum Assessment Program I	45.301	IM-60155-96	N/A	1,975	\$0	\$1,975	\$956	\$2,931	\$0
Total National Foundation of Arts & Humanities					\$0	\$1,975	\$956	\$2,931	\$0
Environmental Protection Agency									
Direct:									
Office of Water, Environmental Protection Agency									
Georges Creek Step 3	66.418	C-240382-03	N/A	14,065,000	\$0	\$0	\$0	\$0	\$0
Indirect:									
\Passed through Md Dept of the Environment									
Bowling Green/Cressaptown Waste Water Treatment Project	66.418	C-240729-03	MD-88-08-31-0646	1,333,750	0	\$0	\$0	\$0	\$0
Total Environmental Protection Agency					\$0	\$0	\$0	\$0	\$0

ALLEGANY COUNTY, MARYLAND
PRIMARY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1997

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<u>Federal Emergency Management Agency:</u>									
Indirect:									
\State and Local Programs Support									
Passed through Maryland Emergency									
and Civil Defense Agency:									
Civil Defense FY 1997	83.503	N/A	N/A	N/A	0	59,893	109,552	169,445	0
Civil Defense FY 1996	83.503	N/A	N/A	N/A	(20,652)	20,652	0	0	0
Subtotal CPDA #83.503					(20,652)	80,545	109,552	169,445	0
\State and Local Programs Support									
Passed through Maryland Emergency									
January 1996 Flood	83.516	N/A	N/A	N/A	324,043	19,982	208,140	832,828	(280,663)
September 1996 Flood	83.516	N/A	N/A	N/A	0	365,580	114,511	500,091	(20,000)
Subtotal CFDA #83.516					324,043	385,562	322,651	1,332,919	(300,663)
Total Federal Emergency Management Agency					\$303,391	\$466,107	\$432,203	\$1,502,364	(\$300,663)
									\$0
<u>US Department of Health and Human Services:</u>									
Indirect:									
\Family Support Administration:									
Pass through Maryland Dept. of									
Human Resources:									
Child Support Enforcement	93.563	N/A	CSEA/CR-97-1	132,925	\$0	\$112,282	\$64,234	\$176,516	\$0
Masters Program	93.563	N/A	CSEA/CR-97-3	71,628	0	61,274	37,203	98,477	0
Subtotal CFDA #93.563					0	173,556	101,437	274,993	0
\Health Care Financing Administration									
Pass through Maryland Dept. of									
Health & Mental Hygiene:									
Medicare; Nursing Home Care	93.773-4	N/A	N/A	N/A	0	381,325	0	381,325	0
Medicaid; Nursing Home Care	93.778	N/A	N/A	N/A	318,819	3,368,055	1,782,660	4,934,064	535,470
\Health Care Financing Administration									
Pass through Maryland Dept. of									
Health & Mental Hygiene and									
Allegany County Health Department:									
Medicaid; Medical Transportation									
Program	93.778	N/A	N/A	N/A	74,255	288,229	0	288,229	74,255
Subtotal CFDA #93.778					393,074	3,656,284	1,782,660	5,222,293	609,725
Total US Department of Health and Human Services					\$393,074	\$4,211,165	\$1,884,097	\$5,878,611	\$609,725
Total Expenditures of Federal Awards					\$1,232,587	\$8,435,767	\$3,197,237	\$11,949,992	\$915,599
									\$53,092

ALLEGANY COUNTY, MARYLAND
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 1997

Note 1.

Summary of Significant Accounting Policies

Basis of Presentation

This schedule has been prepared on the modified accrual basis of accounting in accordance with generally accepted accounting principles in order to facilitate comparability to the County's general purpose financial statements prepared on the same basis of accounting.

The accompanying Schedule of Expenditures of Federal Awards includes all financial activity of Allegany County Component Unit only. The General Purpose Financial Statements for the Allegany County Reporting Entity include the following component units in accordance with Governmental Accounting Standards Board ("GASB") Statement 14 who are responsible for administering their own Federal programs and submitting their own Single Audit reports, if necessary.

- Allegany County Board of Education
- Allegany County Library System
- Allegany College of Maryland
- LaVale Sanitary Commission

Beginning and Ending Balances

The beginning and ending balances in the accompanying schedule of expenditures of federal awards represent project and/or fund balances at July 1, 1996 and June 30, 1997, respectively. As a result of preparing the accompanying Schedule of Expenditures of Federal Awards on the modified accrual basis, timing differences between program receipts and reimbursements and expenditures have been eliminated. Beginning and ending fund balances agree with or reconcile to the County's general purpose financial statements.

Other Financing Sources and Uses

The amounts shown as other financing sources in the accompanying Schedule of Expenditures of Federal Awards represent non-Federal revenue such as State grants, local matches, interfund operating transfers-in, and proceeds of issuances of long-term debt. The amounts shown as other financing uses represent interfund operating transfers-out. This manner of presentation was used to segregate the above mentioned items from Federal revenues and expenditures and report financial activity on a basis consistent with the general purpose financial statements.

ALLEGANY COUNTY, MARYLAND
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 1997

Note 2. Oversight Agency

The United States Department of Health and Human Services has been designated oversight audit agency for Allegany County, Maryland.

ALLEGANY COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 1997

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of Allegany County, Maryland.
2. No reportable conditions relating to the general purpose financial statements of Allegany County, Maryland are reported in the Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting.
3. No instances of noncompliance material to the general purpose financial statements of Allegany County, Maryland were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance.
5. The auditor's report on compliance for the major federal award programs for Allegany County, Maryland expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award programs for Allegany County, Maryland to be reported in Part C of this Schedule.
7. The programs tested as major programs include:

Cash Valley & Other County Hookups/	
Borden Zilman Waterline	14.228
Child Support Enforcement/	
Masters Program	93.563
Medicare	93.773-4
Medicaid	93.778

8. The threshold for distinguishing Types A and B programs was \$358,500.
9. Allegany County, Maryland was determined to be a high-risk auditee.

**ALLEGANY COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 1997**

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

None

**ALLEGANY COUNTY, MARYLAND
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1997**

DEPARTMENT OF HEALTH AND HUMAN SERVICES

1996 - Finding No. 1: Medicaid

Condition: This finding was a material weakness concerning the billing, collection and accounts receivable operations, which resulted in uncollectible receivable charge offs in fiscal year 1996 totaling \$138,000 and an additional \$125,000 bad debt expense incurred.

Recommendation: The auditor recommended the County take assertive and immediate management action to address the situation.

Current Status: The County agreed with the recommendation and retained an external consulting firm experienced in the nursing home industry who has addressed the aforementioned material weakness and is also managing all operations of the nursing home as a whole.