

**ALLEGANY COUNTY, MARYLAND  
SINGLE AUDIT REPORT  
JUNE 30, 2008**

**TURNBULL, HOOVER & KAHL, P.A.**  
*Certified Public Accountants*

**ALLEGANY COUNTY, MARYLAND  
SINGLE AUDIT REPORT  
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## 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*

To the Board of Allegany County Commissioners

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Allegany County, Maryland, as of and for the year ended June 30, 2008, which collectively comprise Allegany County, Maryland's basic financial statements and have issued our report thereon dated December 5, 2008. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Allegany County Board of Education and the LaVale Sanitary Commission, as described in our report on Allegany County, Maryland's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Allegany County, Maryland's internal control over financial reporting as a basis for designing our auditing procedures 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 Allegany County, Maryland's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Allegany County, Maryland's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as described below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Allegany County, Maryland's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of

Allegany County, Maryland's financial statements that is more than inconsequential will not be prevented or detected by Allegany County, Maryland's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs, 2008-1, to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Allegany County, Maryland's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiency described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Allegany County, Maryland's financial statements are free of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Allegany County, Maryland's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Allegany County Maryland's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Commissioners of Allegany County, Maryland, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Turnbull, Hoover & Kahl, P.L.

Cumberland, Maryland  
December 5, 2008

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## Report on Compliance with Requirements Applicable To Each Major Program and On 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, 2008. 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.

Allegany County's basic financial statements include the operations of the Allegany County Board of Education and Allegany College of Maryland, which received \$13,168,304 and \$8,857,910 of federal awards, respectively, that are not included in the schedule during the year ended June 30, 2008. Our audit, described below, did not include the operations of the Allegany County Board of Education because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 of 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, 2008.

### Internal Control Over Compliance

The management of Allegany County, Maryland is responsible for establishing and maintaining effective internal control over compliance with the 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, 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 Allegany County, Maryland's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Allegany County, Maryland, as of and for the year ended June 30, 2008, and have issued our report thereon dated December 5, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Allegany County, Maryland's, basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Commissioners of Allegany County, Maryland, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Turnbull, Hoover; Kahl, P.C.*

Cumberland, Maryland  
December 5, 2008

**ALLEGANY COUNTY, MARYLAND**  
**PRIMARY GOVERNMENT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<b>Federal CFDA#</b>	<b>Federal Grant Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Program Award Amount</b>	<b>Federal Expenditures</b>	<b>Pass Through to Subrecipients</b>
<b>U.S. Department Of Agriculture</b>						
<b>Direct:</b>						
Rural Development:						
Clarysville Water Project Planning	10.760		N/A	11,510	11,510	
Dry Run Grant	10.760	68-3B19-0-411	N/A	1,438,337	88,694	
APA BG/C Sewerage System Rehab	10.760	2007-1	N/A	2,285,000	11,191	
Georges Creek Sewerage System Rehab	10.760	2007-2	N/A	506,000	6,058	
Barton Business Park WWTP	10.766	24-001-0526000870	N/A	371,000	5,709	
Educational Facilities Loan-Mt Ridge	10.766	03-01	N/A	5,000,000	2,759,817	2,759,817
Educational Facilities Loan-Mt Ridge-Program Income	10.766	03-01	N/A	109,164	109,164	17,312
Educational Facilities Loan-Mt Ridge-#2	10.766	03-01	N/A	5,000,000	4,623,883	4,623,883
Educational Facilities Loan-Mt Ridge-Program Income	10.766	03-01	N/A	24,869	24,669	
Bowmans Addition-Water	10.760	USDA Loan		600,000	-	
Bowmans Addition-Water	10.760	USDA Grant		1,556,000	-	
<b>Indirect:</b>						
Food and Nutrition Service:						
Pass-Through Maryland Dept of Human Resources:						
Food Distribution To The Needy	10.568	N/A	CSA/FNS 07-001	15,120	9,439	9,439
Food Distribution To The Needy	10.568	N/A	CSA/FNS 08-001	12,300	10,130	10,130
Pass-Through Maryland Dept of Education						
Summer Camp Program	10.559	N/A	N/A	N/A	1,809	1,809
<b>Total U.S. Department Of Agriculture</b>					<b>\$ 7,662,273</b>	<b>\$ 7,422,380</b>
<b>U.S. Department of Commerce</b>						
<b>Direct:</b>						
Economic Development Administration:						
Upper Potomac Industrial Park Flood	11.300	01-01-07534.01	N/A	\$ 1,408,000	-	\$ -
<b>Total U.S. Department Of Commerce</b>					<b>\$ -</b>	<b>\$ -</b>
<b>U.S. Department of Housing and Urban Development</b>						
<b>Indirect:</b>						
Community Planning and Development						
CDBG Project Income Housing	14.219	N/A	N/A	N/A	2,597	
Pass-Through Md Dept of Housing and Community Development						
ML Savage Flood Acquisition	14.219	N/A	B-04/05-24-0001	243,800	31,952	
CDBG Revolving Loan Program	14.219	N/A	MD-07-CD-22	230,000	176,355	
CDBG-Neighborhood Facilities-HRDC Building	14.219	N/A	MD-07-CD-5	400,000	155,655	155,655
Federal Lead Program	14.905	N/A	N/A	N/A	111,039	
Emergency Shelter Grant	14.231	N/A	2006-ESG-BOS-1	29,700	15,475	15,475
Emergency Shelter Grant	14.231	N/A	2007-ESG-BOS-1	29,700	6,600	6,600
Special Target Area Grant	14.239	N/A	N/A	N/A	59,744	
Pass-Through Maryland Dept of Housing and Community Development						
Section 8 Mod Rehab	14.856	P-3525	MD06-K020	N/A	11,344	
Section 8 Mod Rehab-Admin	14.856	P-3525	MD06-K020	N/A	2,745	
Section 8 Voucher-Admin	14.871	P-3507V	MD06-V020	N/A	64,094	
Section 8 Voucher	14.871	P-3507V	MD06-V020	N/A	731,501	
<b>Total U.S. Department of HUD</b>					<b>\$ 1,369,101</b>	<b>\$ 177,730</b>

**ALLEGANY COUNTY, MARYLAND**  
**PRIMARY GOVERNMENT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**U.S. Department of Justice**

Indirect:

Governor's Office of Crime Control and Prevention

Edward Byrn Memorial Grant	16.579	BRYN-2004-1090	16,726	16,624	
Violence Against Women Grant	16.588	VAWA-2003-1187	94,078	22,487	22,487
Violence Against Women Grant	16.588	VAWA-2006-1048	26,958	20,573	
JAG Grant	16.738	BJAG-2007-1080	28,015	12,146	
Byrn-Justice Assistance Grant-Mobile Intel Data	16.738	BJAG-2005-1071	58,220	57,706	
City of Cumberland, Maryland					
JAG Grant	16.579			4,272	
			<b>\$ 133,808</b>	<b>\$ 22,487</b>	

**Total U.S. Department Of Justice**

**U.S. Department of Transportation**

Indirect:

Federal Highway Administration:

Passed Through Maryland Dept of Transp

Rye Street Bridge	20.205	FAP No. BRO-1(822)E	N/A	521,150	
Bartlett Run Road Bridge	20.205	FAP No. BRO-1(642)E	N/A		1,164,701

Urban Mass Trans Admin:

Passed Through Maryland Dept of Transp

Capital Assistance MTA	20.507	MD-90-0115	MD-90-0115	-	11,409
Capital Assistance MTA	20.507	MD-90-0115	MD-90-0115	96,000	96,000
Operating Assistance	20.507	MD-90-4115	MD-90-4115	497,163	497,163

Urban Mass Trans. Admin & Federal

Highway Administration

Passed-Through Maryland Dept of

Transportation	20.505	FY08 UPWP	N/A	N/A	55,993
Unified Planning Work Program 08					

**Total U.S. Department Of Transportation**

<b>\$ 2,346,416</b>	<b>\$ -</b>
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**Appalachian Region Commission**

Indirect:

Passed Through Maryland Office of Planning:

GIS Coordination Plan	23.011	N/A	ARC-10952-C12	20,000	20,000
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**Total Appalachian Region Commission**

<b>\$ 20,000</b>	<b>\$ -</b>
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**ALLEGANY COUNTY, MARYLAND**  
**PRIMARY GOVERNMENT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**Environmental Protection Agency**

Indirect:

Passed Through Maryland Department of Environment  
 Capitalization Grants for State Revolving  
 Total Environmental Protection Agency

66,458	N/A	N/A	N/A	188,103
				\$ 188,103
				\$ -

**U.S. Department of Health and Human Services**

Indirect:

Passed Through Allegany County Department of Social Services

Child Care And Development Block Grant	93,575	N/A	220,000	60,217	60,217
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Family Support Administration:

Pass Through Maryland Dept of Human Resources Master's Program	93,563	N/A	CSEA/CR 06-003	66,964	66,964
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Passed Through Maryland Emergency Medical Services System:

Bioterrorism Hospital Preparedness Program	93,889	N/A	6U3RHS007575-01-01	19,035	19,035
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Total U.S. Department of Health and Human Services

\$ 148,216	\$ 60,217
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**Federal Emergency Management**

Indirect:

Passed Through Maryland Emergency Management Agency

Civil Defense	97,042	N/A	N/A	66,045	61,380
06 Flood Mitigation	97,039	N/A	N/A	170,250	4,321

Passed through Maryland Emergency Medical Services:

SAFERS Grant	97,044	EMW-2006-FF-04520	N/A	294,980	39,183
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Total Federal Emergency Management

\$ 104,884	\$ -
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**U.S. Department of Homeland Security**

Indirect:

Passed Through Maryland Emergency Management Agency

Citizens Corp	97,067	N/A	N/A	10,000	10,000
Hazardous Materials Emergency	97,067	N/A	N/A	7,143	7,143
Hazardous Materials Emergency	97,067	N/A	N/A	4,000	4,000
FY 06 State Domestic Preparedness	97,067	N/A	N/A	\$ 486,925	\$ 404,773
FY 07 State Domestic Preparedness	97,067	N/A	N/A	313,019	\$ 99,472

Total U.S. Department of Homeland Security

\$ 452,989	\$ 99,472
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\$ 12,421,790	\$ 7,782,298
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Grand Total

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2008**

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 fund financial statements prepared on the same basis of accounting.

The accompanying Schedule of Expenditures of Federal Awards includes all financial activity of Allegany County Primary Government Unit only. The 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

Note 2. Oversight Agency

The United States Department of Agriculture has been designated oversight audit agency for Allegany County, Maryland.

**ALLEGANY COUNTY, MARYLAND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2008**

**A. SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of Allegany County, Maryland.
2. One significant deficiency disclosed during the audit of the financial statements is reported in the 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*.
3. No instances of noncompliance material to the financial statements of Allegany County, Maryland, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs disclosed during the audit are reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Allegany County, Maryland expresses an unqualified opinion on all major federal programs.
6. There are no findings, other than the aforementioned significant deficiency, that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 reported in this Schedule.
7. The programs tested as major programs included:

U.S. Department of Agriculture	10.766
U.S. Department of Transportation	20.507
U.S. Department of Homeland Security	97.067

8. The threshold for distinguishing Types A and B programs was \$372,000.
9. Allegany County, Maryland did not qualify as a low risk auditee.

**ALLEGANY COUNTY, MARYLAND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2008**

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

**SIGNIFICANT DEFICIENCY**

**2008-1 Material Adjusting Journal Entries**

*Condition and Criteria:* Material adjusting journal entries were discovered, proposed, and recorded during the course of the financial audit of Allegany County, Maryland. None of those adjustments affected federal programs.

*Effect:* Upon the commencement of the financial audit, the County's government-wide financial statements were materially misstated.

*Recommendation:* The auditor recommends that management design additional controls over the preparation of the financial statements to prevent or detect material misstatements.

*Grantee Response:* The County's Finance Office will strengthen its review processes regarding financial transactions, which will be performed prior to the preparation of the government-wide financial statements.

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

None

**ALLEGANY COUNTY, MARYLAND**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED JUNE 30, 2007**

**FINANCIAL STATEMENT AUDIT**

**FINDING 2007-1: Material Adjusting Journal Entries**

*Condition and Criteria:* Material adjusting journal entries were discovered, proposed, and recorded during the course of the financial audit of Allegany County, Maryland. None of those adjustments affected federal programs.

*Recommendation:* The auditor recommends that management design additional controls over the preparation of the financial statements to prevent or detect material misstatements.

*Current Status:* A similar finding was noted in the 2008 audit, however it was not considered to be a material weakness.