

**ALLEGANY COUNTY, MARYLAND
SINGLE AUDIT REPORT
JUNE 30, 2010**

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
Cumberland, Maryland

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, 2010, which collectively comprise Allegany County, Maryland's basic financial statements and have issued our report thereon dated November 19, 2010. Our report includes 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, Allegany County Library System, 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 Allegany County, Maryland's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Allegany County, Maryland's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or

material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

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.

Tammie, Harriet, Kahl, P.t.

Cumberland, Maryland
November 19, 2010

David W. Turnbull, CPA
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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
Cumberland, Maryland

Compliance

We have audited Allegany County, Maryland's compliance 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, 2010. 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 referred to above 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 \$19,654,445 and \$17,770,234 in federal awards, respectively, that are not included in the schedule during the year ended June 30, 2010. 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 identified in the accompanying schedule of findings and questioned costs 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 compliance requirements referred to above that are applicable to each of its major federal programs identified in the accompanying schedule of findings and questioned costs for the year

ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those compliance requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2010-1 and 2010-2.

Internal Control Over Compliance

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 the 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, 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 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.

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 deficiencies, 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.

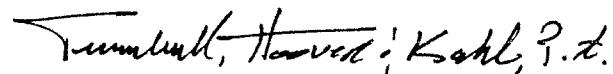
Schedule of Expenditures of Federal Awards

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, 2010, and have issued our report thereon dated November 19, 2010, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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 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 financial

statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

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.

A handwritten signature in black ink, appearing to read "Turnbull, Harrod, & Kahl, P.C." The signature is cursive and somewhat stylized.

Cumberland, Maryland
November 19, 2010

ALLEGANY COUNTY, MARYLAND
PRIMARY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Federal CFDA#	Federal Grant Number	Pass-Through Grantor's Number	Program Award Amount	Federal Expenditures	Pass Through to Subrecipients
U.S. Department Of Agriculture						
Direct:						
Rural Development:						
Dry Run Grant	10.760	68-3B19-5-504	N/A	1,438,337	8,229	
Georges Creek Sewerage System Rehab	10.760	2007-2	N/A	506,000	-	
Bowmans Addition-Water	10.760	USDA Grant	N/A	1,556,000	179,694	
Clarysville Water	10.760	USDA Loan	N/A	221,000	221,000	
Clarysville Water	10.760	USDA Grant	N/A	360,000	203,088	
Wrights Crossing Pump Station-Planning Grant	10.760	00-72	N/A	15,000	15,000	
Stream Restoration	10.760		N/A	82,500	82,500	
Bowmans Addition-Phase II	10.760	MD-91-08	N/A	624,000	2,663	
Indirect:						
Food and Nutrition Service:						
Pass-Through Maryland Dept of Human Resources:						
Food Distribution To The Needy	10.568	N/A	CSA/FNS 09-001		11,897	11,897
Total U.S. Department Of Agriculture					\$ 724,071	\$ 11,897
U.S. Department of Housing and Urban Development						
Indirect						
Community Planning and Development						
CDBG Project Income Housing	14.228	N/A	N/A	N/A	2,284	
Pass-Through Md Dept of Housing and Community Development						
CDBG Revolving Loan Program	14.228	N/A	MD-09-CD-24	250,000	28,920	
CDBG-Neighborhood Facilities-HRDC Building	14.228	N/A	MC-NCI-13	200,000	200,000	200,000
CDBG - Flood Projects	14.228	N/A	MD-10_I/Isabel	450,000	124,090	
Bowmans Addition	14.228	N/A	MD-09-CD-21	75,000	75,000	
Emergency Shelter Grant	14.231	N/A	2008-ESG-BOS-1	28,657	6,190	6,190
Emergency Shelter Grant	14.231	N/A	2009-ESG-BOS-1	33,124	2,584	2,584
Special Target Area Grant	14.239	N/A	N/A	N/A	28,359	
Pass-Through Maryland Dept of Housing and Community Development						
Section 8 Mod Rehab	14.856	P-3525	MD06-K020	N/A	12,677	
Section 8 Mod Rehab-Admin	14.856	P-3525	MD06-K020	N/A	1,487	
Section 8 Voucher-Admin	14.871	P-3507V	MD06-V020	N/A	57,151	
Section 8 Voucher	14.871	P-3507V	MD06-V020	N/A	652,213	
Total U.S. Department of HUD					\$ 1,190,955	\$ 208,774

ALLEGANY COUNTY, MARYLAND
PRIMARY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

U.S. Department of Justice

Indirect:

Governor's Office of Crime Control and Prevention

ARRA -Byrne-Justice Assistance Grant-ARRA of 2009	16,803	N/A	BJRA-2009-1105	36,002	33,079
ARRA-Byrne-Justice Assistance Grant-Electronic Ticket	16,803	N/A	BJRA-2009-1015	79,360	79,133
JAG Grant	16,738	N/A	BJAG-2006	2,388	2,388
City of Cumberland					
Edward Byrne Memorial-Justice Assistance Grant	16,738	N/A	BJAG-2009	13,721	13,721
Edward Byrne Memorial-Justice Assistance Grant	16,738	N/A	BJAG-2009	13,721	13,721
Total U.S. Department Of Justice				\$ 142,042	\$ -

U.S. Department of Transportation

Direct:

Continuity of Operations/Government

20.313	DTFR53-09-G-0027	N/A	2,000,000	1,567,797
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Indirect:

Urban Mass Trans Admin:

Passed Through Maryland Dept of Transp					
Capital Assistance MTA	20,507	N/A	MD-90-0115	504,000	214,501
ARRA-Capital Assistance MTA-American Recovery Act	20,507	N/A	MD-96-X001	1,259,671	958,346
Operating Assistance	20,507	N/A	MD-90-4118	674,811	531,605

Urban Mass Trans. Admin & Federal

Highway Administration

Passed-Through Maryland Dept of

Transportation

Unified Planning Work Program 08

20.505	N/A	FY09 UPWP	N/A	86,317
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Federal Highway Administration

Passed through MD Inst Emergency

Medical Services

EMT - Region 1 Fire Equipment

20.600	N/A	FY 09-01A	26,523	26,523
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Passed through MD Highway Administration

ARRA-Cash Valley Road Paving	20,205	N/A	AL451ZM1 FAP ES-3 (127)E	755,886	662,648
ARRA- Depot-New Hope	20,205	N/A	AL451ZM1 FAP ES-3 (127)E	130,000	1,627

Total U.S. Department Of Transportation

\$ 4,049,364	\$ -
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ALLEGANY COUNTY, MARYLAND
PRIMARY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Environmental Protection Agency

Indirect:

Passed Through Maryland Department of

Environment

ARRA-Capitalization Grants-State Revolving-Savage River

66,458

N/A

WQSG0844301L

3,926,000

2,963,172

ARRA-Safe Drinking Water State Revolving-Mt Savage

66,468

N/A

DWSG0841601L

815,000

614,739

Total Environmental Protection Agency

\$ 3,577,911 **\$ -**

U.S. Department of Health and Human Services

Indirect:

Family Support Administration:

Pass Through Maryland Dept of Human Resources

Master's Program

93,563

N/A

CSEA/CR 06-003

59,776

59,776

Pass Through MD Emergency Medical Services

Bioterrorism Hospital Preparedness Program

93,889

N/A

BTM1-001

11,101

11,101

Total U.S. Department of Health and Human Services

\$ 70,877 **\$ -**

Federal Emergency Management

Indirect:

Passed Through Maryland Emergency

Management Agency

Civil Defense-09 Grant

97,042

N/A

N/A

72,180

18,045

Civil Defense-10 Grant

97,042

N/A

N/A

77,551

58,163

Flood Mitigation-Scattered Sites

97,039

N/A

N/A

159,000

4,306

February 2010 Severe Winter Storm

97,036

PA-03MD-1910-PW-00299

FEMA-1910-DR-MD

71,880

February 2010 Severe Winter Storm

97,036

3,286

Passed through Maryland Emergency

Medical Services:

SAFERS Grant

97,044

N/A

EMW-2006-FF-04520

294,980

51,148

Total Federal Emergency Management

\$ 206,828 **\$ -**

U.S. Department of Homeland Security

Indirect:

Passed Through Maryland Emergency

Management Agency

Citizens Corp

97,067

N/A

FY 2008 - CCP

5,600

5,600

Hazardous Materials Emergency

97,067

N/A

FY 2009

10,506

10,506

FY 08 State Domestic Preparedness

97,067

N/A

N/A

276,559

202,109

Total U.S. Department of Homeland Security

\$ 218,215 **\$ -**

Grand Total

\$ 10,180,263 **\$ 220,671**

ALLEGANY COUNTY, MARYLAND
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

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, 2010

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Allegany County, Maryland.
2. No significant deficiencies disclosed during the audit of the financial statements are 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. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included:

U.S. Department of Justice	16.803
U.S. Department of Transportation	20.507
U.S. Department of Transportation	20.205
Environmental Protection Agency	66.458
Environmental Protection Agency	66.468

8. The threshold for distinguishing Types A and B programs was \$305,408.
9. Allegany County, Maryland was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

ALLEGANY COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

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

U.S. DEPARTMENT OF TRANSPORTATION

2010-1 – ARRA (Federal American Recovery and Reinvestment Act) - Urban Mass Transit Capital Assistance MTA - ARRA - CFDA No. 20.507; Grant No. MD-96-X001; Grant period – Fiscal year ended June 30, 2010

Condition and Criteria: While the County has controls to ensure grant revenues and expenditures are properly recorded in the general ledger, grant revenues in the amount of \$30,018 were not properly recorded and identified by source, separate from State revenue.

Effect: The County could have improperly recorded other Federal or State revenue in the general ledger.

Recommendation: The County should develop a more stringent procedure to maintain records that identify adequately the source and application of revenue and expenditures, especially those related to ARRA.

County's Response: We agree with the recommendation and will review our procedures to ensure that proper records are maintained in the general ledger to identify the source and application of revenue and expenditures. It is strongly believed this was a one time human error among numerous federal transactions performed by the County that were properly recorded.

U.S. DEPARTMENT OF JUSTICE

2010-2 – ARRA (Federal American Recovery and Reinvestment Act) – Byrne-Justice Assistance Grant – ARRA of 2009 – CFDA No. 16.803; Grant No. BJRA-2009-1105; Grant period – Fiscal year ended June 30, 2010

Condition and Criteria: While the County has controls to ensure required reports are properly approved prior to submission, the Allegany County Sheriff's Office did not maintain signed and dated copies of the quarterly reports that were submitted to the State.

Effect: Without proof of approval and submission of reports, the County could be in noncompliance with other reporting requirements of its grant agreements.

Recommendation: The Allegany County Sheriff's Office should develop a more stringent procedure to ensure documentation of signature and submittal of all required reports is maintained.

County's Response: We agree with the recommendation and will advise the elected Sheriff in writing that documentation is to be maintained for all required reports. The Sheriff should implement a change in procedure immediately.

ALLEGANY COUNTY, MARYLAND
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2009

D. FINANCIAL STATEMENT AUDIT

None

E. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None