

**ALLEGANY COUNTY, MARYLAND
SINGLE AUDIT REPORT
JUNE 30, 2012**

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, 2012, which collectively comprise Allegany County, Maryland's basic financial statements and have issued our report thereon dated December 20, 2012. 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

Management of Allegany County, Maryland is responsible for establishing and maintaining effective 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.

T. M. Hoover, P.E.

Cumberland, Maryland
December 20, 2012

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Independent Auditor's Report on Compliance with
Requirements That Could Have A Direct and Material
Effect on 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 *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Allegany County, Maryland's major federal programs for the year ended June 30, 2012. 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, Maryland's basic financial statements include the operations of the Allegany County Board of Education and Allegany College of Maryland, which received \$19,472,179 and \$17,083,522 in federal awards, respectively, that are not included in the schedule during the year ended June 30, 2012. 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 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, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as items 2012-1.

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 to determine the 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, 2012, and have issued our report thereon dated December 20, 2012, 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 accompanying schedule of expenditures of federal awards is presented for the 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 schedule of expenditures of federal awards 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.

Turnbull, Hoover & Kahl, P.C.

Cumberland, Maryland
December 20, 2012

ALLEGANY COUNTY, MARYLAND
PRIMARY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | 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: | | | | | | |
| Bowmans Addition-Phase II-ARRA | 10.760 | MD-91-08 - Loan | N/A | 624,000 | 402,531 | |
| Bowmans Addition-Phase II | 10.760 | USDA Grant | N/A | 454,355 | 118,320 | |
| Bowmans Addition-Phase II-ARRA | 10.760 | USDA Grant | N/A | 1,267,000 | 669,025 | |
| Mount Savage/Jennings Run Water | 10.760 | Loan | N/A | 4,260,000 | 45,715 | |
| Cresaptown Water | 10.760 | MD-91-15 - Loan | N/A | 1,500,400 | 446,302 | |
| Cresaptown Water | 10.760 | Loan | N/A | 465,000 | 465,000 | |
| Ioka Basin | 10.760 | Loan # 1 | N/A | 473,000 | 473,000 | |
| Cresaptown Water | 10.760 | USDA Grant | N/A | 307,163 | 307,163 | |
| Ioka Basin | 10.760 | USDA Grant | N/A | 272,030 | 272,030 | |
| Ioka Basin | 10.760 | USDA Grant | N/A | 303,000 | 21,223 | |
| Ioka Basin | 10.760 | Loan # 2 | N/A | 510,000 | 510,000 | |
| Indirect: | | | | | | |
| Food and Nutrition Service: | | | | | | |
| Pass-Through Maryland Dept of Human Resources: | | | | | | |
| Food Distribution To The Needy | 10.568 | N/A | CSA/FNS 11-001 | 13,916 | 6,168 | 6,168 |
| Food Distribution To The Needy | 10.568 | N/A | CSA/FNS 12-001 | 17,074 | 7,748 | 7,748 |
| Total U.S. Department Of Agriculture | | | | | \$ 3,744,225 | \$ 13,916 |
| 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 | 1,649 | |
| Pass-Through Md Dept of Housing and Community Development | | | | | | |
| CDBG - Bowmans Addition | 14.228 | | MD-09-CD-21 | 800,000 | 99,492 | |
| CDBG - Mt Savage Water/Jennings Run Sewer | 14.228 | | | 1,572,939 | 310,646 | |
| Emergency Solutions Grant | 14.231 | N/A | 2009-ESG-BOS-1 | 34,450 | 2,823 | 2,823 |
| Emergency Solutions Grant | 14.231 | N/A | 2010-ESG-BOS-1 | 36,320 | 17,478 | 17,478 |
| Pass-Through Maryland Dept of Housing and Community Development | | | | | | |
| Section 8 Mod Rehab | 14.856 | P-3525 | MD06-K020 | N/A | 12,660 | 12,660 |
| Section 8 Mod Rehab-Admin | 14.856 | P-3525 | MD06-K020 | N/A | 1,230 | 1,230 |
| Housing Voucher Cluster: | | | | | | |
| Section 8 Voucher-Admin | 14.871 | P-3507V | MD06-V020 | N/A | 47,564 | 47,564 |
| Section 8 Voucher | 14.871 | P-3507V | MD06-V020 | N/A | 678,838 | 678,838 |
| Family Unification Program | 14.880 | | | N/A | 13,216 | 13,216 |
| Family Unification Program-Admin | 14.880 | | | N/A | 616 | 616 |
| Total Housing Voucher Cluster | | | | | 740,234 | 740,234 |
| Total U.S. Department of HUD | | | | | \$ 1,186,212 | \$ 774,425 |

**ALLEGANY COUNTY, MARYLAND
PRIMARY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

U.S. Department of Justice

| | | | | | | |
|---|--------|-----|------|-------|--------------|----------|
| Indirect: | | | | | | |
| Maryland State Police | | | | | | |
| JAG Grant | 16.738 | N/A | BJAG | 2,388 | 2,388 | |
| Total U.S. Department Of Justice | | | | | <u>2,388</u> | <u>-</u> |

U.S. Department of Transportation

| | | | | | | |
|--|--------|-----|------------|---------|-------------------|-------------|
| Indirect: | | | | | | |
| Urban Mass Trans Admin: | | | | | | |
| Passed Through Maryland Dept of Transp | | | | | | |
| Capital Assistance MTA-Preventive Maintenance | 20.507 | N/A | MD-90-0134 | 260,253 | 262,755 | |
| Capital Assistance MTA | 20.507 | N/A | MD-90-0118 | - | 5,594 | |
| Operating Assistance | 20.507 | N/A | MD-90-4118 | 963,420 | 532,060 | |
| Urban Mass Trans. Admin & Federal | | | | | | |
| Highway Administration | | | | | | |
| Passed-Through Maryland Dept of Transportation | | | | | | |
| Unified Planning Work Program 11 | 20.505 | N/A | FY12 UPWP | N/A | 86,324 | |
| Total U.S. Department Of Transportation | | | | | <u>\$ 886,733</u> | <u>\$ -</u> |

Appalachian Region Commission

| | | | | | | |
|--|--------|-----|--|-----------|-------------------|-------------|
| Direct: | | | | | | |
| Cresaptown Water Tank | 23.011 | | | 326,700 | 193,373 | |
| Cresaptown Water Line | 23.011 | | | 175,000 | 126,646 | |
| Georges Creek Comprehensive Plan | 23.011 | | | 116,000 | 116,000 | |
| Indirect: | | | | | | |
| Passed through MD Office of Planning | | | | | | |
| MHAA Grant | 23.011 | N/A | | \$ 20,000 | \$ 20,000 | |
| Total Appalachian Region Commission | | | | | <u>\$ 456,019</u> | <u>\$ -</u> |

ALLEGANY COUNTY, MARYLAND
PRIMARY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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 | 147,962 | |
| Total Environmental Protection Agency | | | | | \$ 147,962 | \$ - |

U.S. Department of Energy

| | | | | | | |
|--|--------|-----|---------------|---------|-------------------|-------------|
| Indirect: | | | | | | |
| Pass Through Maryland Energy Administration | | | | | | |
| AARA-EECBG Grant - American Recovery Program | 81.128 | N/A | 2010-45-431FB | 433,692 | 433,692 | |
| Total U.S. Department of Energy | | | | | \$ 433,692 | \$ - |

| | | | | | | |
|---|--------|-----|----------------|--------|------------------|-------------|
| Family Support Administration: | | | | | | |
| Pass Through Maryland Dept of Human Resources | | | | | | |
| Master's Program | 93.563 | N/A | CSEA/CR 06-003 | 58,428 | 58,428 | |
| Pass Through MD Emergency Medical Services | | | | | | |
| Bioterrorism Hospital Preparedness Program | 93.889 | N/A | BTV1-001 | 4,848 | 4,848 | |
| Total U.S. Department of Health and Human Services | | | | | \$ 63,276 | \$ - |

Federal Emergency Management

| | | | | | | |
|---|--------|-----|---------|--|------------------|-------------|
| Indirect: | | | | | | |
| Passed Through Maryland Emergency Management Agency | | | | | | |
| Hazardous Materials Emergency | 97.042 | N/A | FY 2011 | | 12,023 | |
| Total Federal Emergency Management | | | | | \$ 12,023 | \$ - |

U.S. Department of Homeland Security

| | | | | | | |
|--|--------|-----|-----------------|---------|---------------------|-------------------|
| Indirect: | | | | | | |
| Passed Through Maryland Emergency Management Agency | | | | | | |
| State Domestic Preparedness | 97.067 | N/A | 2009-SS-TO-0025 | 233,182 | 109,638 | |
| State Domestic Preparedness | 97.067 | N/A | 2010-SS-TO-0025 | 369,879 | 141,348 | |
| Citizens Corp | 97.067 | N/A | | 6,188 | 4,176 | |
| Passed Through County Commissioners of Washington Co | | | | | | |
| Interoperable Emergency Communications Grant | 97.055 | | | | 159,705 | |
| Total U.S. Department of Homeland Security | | | | | \$ 414,867 | \$ - |
| Grand Total | | | | | \$ 7,347,397 | \$ 788,341 |

ALLEGANY COUNTY, MARYLAND
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

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, 2012

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 Independent Auditor's Report on Compliance with Requirements That Could Have A Direct and Material Effect On 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 Agriculture | 10.760 |
| Appalachian Region Commission | 23.011 |
| Environmental Protection Agency | 66.458 |
| U.S. Department of Energy | 81.128 |
8. The threshold for distinguishing Types A and B programs was \$300,000.
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, 2012

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

U.S. DEPARTMENT OF ENERGY

2012-1 – ARRA (Federal American Recovery and Reinvestment Act) – Energy Efficiency and Conservation Block Grant - ARRA - CFDA No. 81.128; Grant No. 2010-45-431FB; Grant period – Fiscal year ended June 30, 2012

Condition and Criteria: While the County has controls to ensure procurement requirements are properly followed, the prime contractor did not perform MBE/DBE outreach as part of their work with the County.

Effect: Without the necessary MBE/DBE outreach process, the County could be in noncompliance with other procurement requirements of its grant agreements.

Recommendation: The County should enhance communications with contractors on the project specifications to ensure appropriate MBE/DBE outreach is being performed.

County's Response: The County agrees with the recommendation and will advise all County Project Managers to institute a procedure to ensure that appropriate MBE/DBE outreach is performed by prime contractors.

**ALLEGANY COUNTY, MARYLAND
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2012**

D. FINANCIAL STATEMENT AUDIT

None

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

None