

**ALLEGANY COUNTY, MARYLAND
SINGLE AUDIT REPORT
JUNE 30, 2013**

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

**ALLEGANY COUNTY, MARYLAND
SINGLE AUDIT REPORT
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Independent Auditors' Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters
Based On An Audit Of Financial Statements Performed
In Accordance With *Government Auditing Standards*

To the Board of Allegany County Commissioners
Cumberland, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Allegany County, Maryland as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Allegany County, Maryland's basic financial statements, and have issued our report thereon dated November 26, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Allegany County, Maryland's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Allegany County, Maryland's internal control. Accordingly, we do not express an opinion on the effectiveness of Allegany County, Maryland's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Allegany County, Maryland's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Turnbull, Hoover & Kahl, P.C.

Cumberland, Maryland
November 26, 2013

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Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

To the Board of Allegany County Commissioners
Cumberland, Maryland

Report on Compliance for Each Major Federal Program

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, 2013. 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.

Allegany County, Maryland's basic financial statements include the operations of the Allegany County Board of Education and Allegany College of Maryland, which received \$16,582,587 and \$17,288,278 in federal awards, respectively, which is not included in the schedule during the year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Allegany County, Maryland's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental 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 considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Allegany County, Maryland's compliance.

Opinion on Each Major Federal Program

In our opinion, Allegany County, Maryland, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Allegany County, Maryland, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Allegany County, Maryland's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2013, and the related notes to the financial statements, which collectively comprise Allegany County, Maryland's basic financial statements. We issued our report thereon dated November 26, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB circular A-133. Accordingly, this report is not suitable for any other purpose.

Turnbull, Hoover, Kahl, P.A.

Cumberland, Maryland
November 26, 2013

ALLEGANY COUNTY, MARYLAND
PRIMARY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | 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 | 10.760 | USDA Grant | N/A | 158,242 | 39,922 | |
| Bowmans Addition-Phase II-AARA | 10.760 | USDA Grant | N/A | 1,108,758 | 439,733 | |
| Mount Savage/Jennings Run Water | 10.760 | Loan | N/A | 4,260,000 | 4,207,913 | |
| Ioka Basin | 10.760 | USDA Grant | N/A | 303,000 | 242,995 | |
| Rawlings Water Study | 10.760 | USDA Grant | N/A | 25,000 | 24,125 | |
| Bedford Road Water Study | 10.760 | USDA Grant | N/A | 25,000 | 6,600 | |
| Indirect: | | | | | | |
| Food and Nutrition Service: | | | | | | |
| Pass-Through Maryland Dept of Human Resources: | | | | | | |
| Food Distribution To The Needy | 10.568 | N/A | CSA/FNS 12-001 | 12,300 | 8,686 | 8,686 |
| Total U.S. Department Of Agriculture | | | | | | |
| | | | | \$ 4,969,974 | \$ 8,686 | |
| U.S. Department of Housing and Urban Development | | | | | | |
| Indirect | | | | | | |
| Pass-Through Md Dept of Housing and Community Development | | | | | | |
| CDBG - Mt Savage Water/Jennings Run Sewer | 14.228 | N/A | MD-11-CD-26 | 1,572,939 | 704,765 | |
| CDBG - Rawlings Water | 14.228 | N/A | MD-13-CD-24 | 800,000 | 675,792 | |
| Emergency Solutions Grant | 14.231 | N/A | 2010-ESG-BOS-1 | 36,320 | 18,842 | 18,842 |
| Emergency Solutions Grant | 14.231 | N/A | 2011-ESG-BOS-1 | 30,030 | 19,832 | 19,832 |
| Pass-Through Maryland Dept of Housing and Community Development | | | | | | |
| Section 8 Voucher | 14.871 | P-3507V | MD06-V020 | N/A | 938,559 | 938,559 |
| Total U.S. Department of HUD | | | | | | |
| | | | | \$ 2,357,790 | \$ 977,233 | |

ALLEGANY COUNTY, MARYLAND
PRIMARY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

U.S. Department of Justice

| | | | | | | |
|---|--------|-----|------|--------|--------|-------------|
| Indirect: | | | | | | |
| Maryland State Police | | | | | | |
| JAG Grant | 16,738 | N/A | BJAG | 24,759 | 24,759 | \$ 24,759 |
| Total U.S. Department Of Justice | | | | | | \$ - |

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 | 244,154 | |
| Capital Assistance MTA | 20,507 | N/A | MD-90-0118 | - | 37,613 | |
| Operating Assistance | 20,507 | N/A | MD-90-4118 | 963,420 | 596,768 | |
| National Recreational Trail Program | | | | | | |
| Passed Through Maryland State Highway Administration | | | | | | |
| MD Recreational Trail Program | 20,219 | N/A | RT | 16,312 | 15,030 | |
| Urban Mass Trans. Admin & Federal | | | | | | |
| Highway Administration | | | | | | |
| Passed-Through Maryland Dept of | | | | | | |
| Transportation | | | | | | |
| Unified Planning Work Program 13 | 20,505 | N/A | FY13 UPWP | N/A | 70,241 | |
| Total U.S. Department Of Transportation | | | | | | \$ 963,806 |
| Appalachian Region Commission | | | | | | \$ - |
| Direct: | | | | | | |
| Cresaptown Water Line | 23,011 | | | 175,000 | 48,354 | |
| Total Appalachian Region Commission | | | | | | \$ 48,354 |

ALLEGANY COUNTY, MARYLAND
PRIMARY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Environmental Protection Agency

| | | | | | | |
|---|--------|-----|--|--|---------------------|-------------|
| Indirect: | | | | | | |
| Passed Through Maryland Department of Environment | | | | | | |
| Capitalization Grants for State Revolving F | 66,458 | N/A | | | 1,432,304 | |
| Drinking Water State Revolving Fund | 66,468 | N/A | | | 517,865 | |
| Total Environmental Protection Agency | | | | | \$ 1,950,169 | \$ - |

U.S. Department of Health and Human Services

| | | | | | | |
|---|--------|-----|----------------|--------|------------------|-------------|
| Family Support Administration: | | | | | | |
| Pass Through Maryland Dept of Human Resources | | | | | | |
| Master's Program | 93,563 | N/A | CSEA/CR 06-003 | 58,542 | 58,542 | |
| Total U.S. Department of Health and Human Services | | | | | \$ 58,542 | \$ - |

Federal Emergency Management

| | | | | | | |
|---|--------|-----|---------|-------|-------------------|-------------|
| Indirect: | | | | | | |
| Passed Through Maryland Emergency Management Agency | | | | | | |
| Hurricane Sandy Relief | 97,036 | | FY 2013 | | 91,890 | |
| Hazardous Materials Emergency | 97,042 | N/A | FY 2012 | 8,960 | 2,880 | |
| Civil Defense | 97,042 | N/A | FY 2013 | | 77,665 | |
| Total Federal Emergency Management | | | | | \$ 172,435 | \$ - |

U.S. Department of Homeland Security

| | | | | | | |
|---|--------|-----|-----------------|--------|----------------------|-------------------|
| Indirect: | | | | | | |
| Passed Through Maryland Emergency Management Agency | | | | | | |
| State Domestic Preparedness | 97,067 | N/A | 2010-SS-TO-0025 | | 457,465 | |
| 97,073 | | | 2010 SHSP | 18,981 | 18,981 | |
| Citizens Corp | 97,053 | N/A | | 6,188 | 4,126 | |
| Passed Through County Commissioners of Washington Co Interoperable Emergency Communications Grant | 97,055 | | | | 246,915 | |
| Total U.S. Department of Homeland Security | | | | | \$ 727,487 | \$ - |
| Grand Total | | | | | \$ 11,273,316 | \$ 985,919 |

ALLEGANY COUNTY, MARYLAND
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

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, 2013

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' 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 Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
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 relating to the audit of the major federal awards programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for Allegany County, Maryland expresses an unmodified 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 Housing and Urban Development | 14.228 |
| U.S. Department of Housing and Urban Development | 14.871 |
| Environmental Protection Agency | 66.468 |
| U.S. Department of Homeland Security | 97.055 |
| U.S. Department of Homeland Security | 97.067 |

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, 2013

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

None

ALLEGANY COUNTY, MARYLAND
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2013

D. FINANCIAL STATEMENT AUDIT

None

E. 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.

Current Status: The County maintained proper procedures to ensure that appropriate MBE/DBE outreach is performed by prime contractors during fiscal year 2013. No similar findings were noted during the fiscal year 2013 audit.