

ALLEGANY COUNTY, MARYLAND
SINGLE AUDIT REPORT
JUNE 30, 1988

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DEPT. OF FINANCE
OF ALLEGANY COUNTY

Correction
plan
in back



DEPARTMENT OF HEALTH & HUMAN SERVICES

REGION III
3535 MARKET STREET
PHILADELPHIA, PENNSYLVANIA 19101

TELEPHONE:
AREA CODE 215
598-6744-6745

JAN 19 1980

DIG OFFICE OF AUDIT

MAILING ADDRESS:
P.O. BOX 13716
PHILADELPHIA,
PENNSYLVANIA 19101

Our Reference: Common Identification Number A-03-89-06120

Board of Allegany County Commissioners
County Office Building
3 Pershing Street
Cumberland, Maryland 21502

Dear Sirs:

In accordance with our cognizant agency responsibilities, we have completed our desk review of the single audit report on Allegany County, Maryland, for the period July 1, 1987 through June 30, 1988. The audit was performed by Delaney, Turnbull & Associates, P.A., Certified Public Accountants, to meet the Federal audit requirements of the Office of Management and Budget (OMB) Circular A-128. Subject to the results of a possible working paper review, we believe the audit met the Federal requirements of OMB Circular A-128.

The audit did not disclose any material deficiencies. However, your attention is invited to the findings on pages 18 through 20 of the report which relate to other Federal departments' programs (See Attachment A). Those departments will contact you directly to resolve these findings.

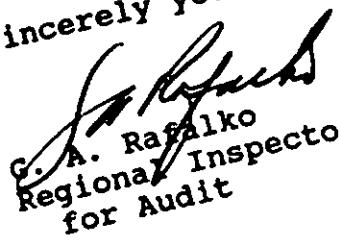
If you have any further information or questions please contact the following Department of Health and Human Services (HHS) official:

Mr. Charles J. Seed
Director, Division of Audit Resolution
Office of Grant and Contract Financial
Management, OF
Room 513-D HHH Building
200 Independence Avenue, SW.
Washington, DC 20201

Page 2 - Board of Allegany County Commissioners

There were no findings requiring HHS resolution. The above common identification number should be referenced in all correspondence relating to this report.

Sincerely yours,



G. A. Rafalko
Regional Inspector General
for Audit

Enclosure

Attachment A

<u>Finding Code</u>	<u>Page</u>	<u>Amount</u>	<u>Resolution Agency</u>	<u>Findings and Recommendations</u>
N/A	18	-0-	USDA	<p>Allegany County Sanitary Districts, Inc. had no formal policy of nondiscrimination as required by Federal regulations.</p> <p>The County should include a non-discrimination policy with its standards of operation.</p>
N/A	19	-0-	HUD	<p>Form 50059 and the annual inspection report were filed late by the County.</p> <p>The County should implement procedures to ensure reports are filed timely.</p>
N/A	20	-0-	HUD	<p>Evidence to document procedures employed by the County to review the contract rent and utility allowances could not be located.</p> <p>The County should locate the documentation to confirm compliance with review procedures.</p>

ABBREVIATIONS

HUD - Department of Housing and Urban Development
USDA - United States Department of Agriculture



U.S. Department of Housing and Urban Development

Baltimore Office, Region III
The Equitable Building
3rd Floor, 10 North Calvert Street
Baltimore, Maryland 21202-1865

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Mr. Arthur T. Bond
President, Board of Commissioners
Allegany County Government
County Office Building
3 Pershing Street
Cumberland, MD 21502

DEPT. OF FINANCE
OF ALLEGANY COUNTY

Dear Mr. Bond:

SUBJECT: Audit Report: Allegany County
Cumberland, Maryland

Type: Single Audit
Audit Period: July 1, 1987, through June 30, 1988
By: Delaney Turnbull and Associates, P.A.
Independent Auditor (IA)
Cognizant Agency: U.S. Department of Health and Human Services
(HHS)
Direct Funding
Sources: HUD, Environmental Protection Agency, U.S.
Departments of Agriculture, Interior, and
Commerce
HUD Funds: Community Development Block Grants
B-85-DH-24-0002, and B-82-DH-24-0004

As the cognizant agency, HHS reviewed this report and found that it conforms with generally accepted government audit standards, the Single Audit Act of 1984, and OMB Circular A-128, Audits of State and Local Governments.

This report noted one program-controlled finding related to HUD activities that originated in the auditee's Fiscal Year 1987. This particular finding stated that the Allegany County Housing Authority, as a subrecipient of Section 8 funds from the County Government, is required to submit its own audit to the County Government.

Please note that this finding was resolved. The Allegany County Housing Authority had an audit performed for the period of July 1, 1984, through September 30, 1988. The County Government received a copy of the final audit report.

Should you have any questions, please contact Benjamin Greenberg,
Financial Analyst, at (301) 962-2375.

Very sincerely yours,



Dean K. Reger
Acting Manager

April 27, 1972

ALLEGANY COUNTY, MARYLAND
SINGLE AUDIT REPORT

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DELANEY, TURNBULL & ASSOCIATES, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

222 Washington Street
Cumberland, Maryland 21502

Edward M. Delaney, CPA

(301) 759-3270

David W. Turnbull, CPA

**Auditor's Report on Schedule
of Federal Financial Assistance**

Board of Allegany County
Commissioners
3 Pershing Street
Cumberland, Maryland

We have audited the general purpose financial statements of Allegany County, Maryland for the year ended June 30, 1988, and have issued our report thereon dated January 17, 1989. Our audit of such general purpose financial statements was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions issued by the U. S. General Accounting Office, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of federal financial assistance is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Delaney, Turnbull & Associates, P.A.

July 28, 1989

Member

American Institute of
Certified Public Accountants

Maryland Association
of Certified Public Accountants

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Auditor's Report on Compliance
with Laws and Regulations

Board of Allegany County
Commissioners
3 Pershing Street
Cumberland, Maryland

We have audited the general purpose financial statements of Allegany County, Maryland, for the year ended June 30, 1988, and have issued our report thereon dated January 17, 1989. Our audit was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U. S. General Accounting Office, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The management of Allegany County, Maryland is responsible for the County's compliance with laws and regulations. In connection with our audit referred to above, we selected and tested transactions and records to determine the County's compliance with laws and regulations, noncompliance with which could have a material effect on the general purpose financial statements of the County.

The results of our tests indicate that for the items tested, Allegany County, Maryland, complied with those provisions of laws and regulations, noncompliance with which could have a material effect on the general purpose financial statements. Nothing came to our attention that caused us to believe that for the items not tested Allegany County, Maryland, was not in compliance with laws or regulations, noncompliance with which could have a material effect on the County's general purpose financial statements.

Delaney, Turnbull & Associates, P.A.

July 28, 1989

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Auditor's Report on Compliance
with Laws and Regulations
Related to Major Federal
Assistance Programs

Board of Allegany County
Commissioners
3 Pershing Street
Cumberland, Maryland

We have audited the general purpose financial statements of Allegany County, Maryland, for the year ended June 30, 1988, and have issued our report thereon dated January 17, 1989. Our audit was made in accordance with generally accepted auditing standards; the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U. S. General Accounting Office; the Single Audit Act of 1984; and the provisions of OMB Circular A-128, Audits of State and Local Governments and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The management of Allegany County, Maryland, is responsible for the County's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records from each major federal financial assistance program and certain nonmajor federal financial assistance programs. The purpose of our testing of transactions and records from those federal financial assistance programs was to obtain reasonable assurance that Allegany County, Maryland, had, in all material respects, administered major programs, and executed the tested nonmajor program transactions, in compliance with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

Our testing of transactions and records selected from major federal financial assistance programs disclosed instances of noncompliance with those laws and regulations. All instances of noncompliance that we found and the programs to which they relate are identified in the accompanying schedule of findings and questioned costs.

In our opinion, subject to the effect of the ultimate resolution of those instances of noncompliance referred to in the preceding paragraph, for the year ended June 30, 1988, Allegany County, Maryland, administered each of its major federal financial assistance programs in compliance, in all material respects, with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

The results of our testing of transactions and records selected from nonmajor federal financial assistance programs indicate that for the transactions and records tested Allegany County, Maryland, complied with the laws and regulations referred to in the second paragraph of our report. Our testing was more limited than would be necessary to express an opinion on whether Allegany County, Maryland, administered those programs in compliance in all material respects with those laws and regulations, noncompliance with which we believe could have a material effect on the allowability of program expenditures; however, with respect to the transactions and records that were not tested by us, nothing came to our attention to indicate that Allegany County, Maryland, had not complied with laws and regulations other than those laws and regulations for which we noted violations in our testing referred to above.

Delaney, Turnbull & Associates, P.A.

July 28, 1989

DELANEY, TURNBULL & ASSOCIATES, P.A.

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**Auditor's Report on Internal
Accounting and Administrative
Controls**

Board of Allegany County
Commissioners
3 Pershing Street
Cumberland, Maryland

We have audited the general purpose financial statements of Allegany County, Maryland for the year ended June 30, 1988, and have issued our report thereon dated January 17, 1989. As part of our audit, we made a study and evaluation of the system of internal accounting control of Allegany County, Maryland, to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial and compliance audits contained in Standards for Audit of Governmental Organizations, Programs, Activities, and Functions issued by the U.S. General Accounting Office. For the purpose of this report, we have classified the significant internal accounting controls in the following categories:

- Treasury and Financing
- Personal Service Expenditures
- Other Than Personal Service Expenditures
- Revenue

The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the entity's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of Allegany County, Maryland, is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Allegany County, Maryland, taken as a whole or on any of the categories of controls identified in the first paragraph. However, our study and evaluation disclosed no condition that we believe to be a material weakness. Nonmaterial conditions and suggestions for improvements are contained in our management letter dated July 27, 1989.

This report is intended solely for the use of management and the U.S. Department of Health and Human Services and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the U.S. Department of Health and Human Services is a matter of public record.

Delaney, Turnbull & Associates, P.A.

July 28, 1989

DELANEY, TURNBULL & ASSOCIATES, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

222 Washington Street

Cumberland, Maryland 21502

Edward M. Delaney, CPA

(301) 759-3270

David W. Turnbull, CPA

Auditor's Report on Internal
Accounting and Administrative
Controls Over Federal
Assistance Programs

Board of Allegany County
Commissioners
3 Pershing Street
Cumberland, Maryland

We have audited the general purpose financial statements of Allegany County, Maryland, for the year ended June 30, 1988, and have issued our report thereon dated January 17, 1989. As part of our audit, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U. S. General Accounting Office, the Single Audit Act of 1984, and the provisions of OMB Circular A-128, Audits of State and Local Governments. For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering federal financial assistance programs in the following categories:

General Requirements

- Political Activity
- Davis-Bacon Act
- Civil rights
- Cash Management
- Relocation assistance and
real property acquisition
- Federal financial reports

Specific Requirements

- Types of services
- Eligibility
- Reporting
- Cost allocation
- Special requirements, if any
- Monitoring subrecipients

The management of Allegany County, Maryland is responsible for establishing and maintaining internal control systems used in administering federal financial assistance programs. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems used in administering federal financial assistance programs are to provide management with reasonable, but not absolute, assurance that, with respect to federal financial assistance programs, resource use is consistent with laws, regulations and policies; resources are safeguarded against waste, loss, and misuse; and reliable data are obtained, maintained, and fairly disclosed in reports.

Because of inherent limitations in any system of internal accounting and administrative controls used in administering federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study included all of the applicable control categories listed in the first paragraph. During the year ended June 30, 1988 Allegany County, Maryland, expended 73.5% of its total federal financial assistance under major federal financial assistance programs. With respect to internal control systems used in administering major federal financial assistance programs, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

With respect to the internal control systems used solely in administering the nonmajor federal financial assistance programs of Allegany County, Maryland, our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment and the flow of transactions through the accounting system. Our study and evaluation of the internal control systems used solely in administering the nonmajor federal financial assistance programs of Allegany County, Maryland did not extend beyond this preliminary review phase.

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the federal financial assistance programs of Allegany County, Maryland. Accordingly, we do not express an opinion on the internal control system used in administering the federal financial assistance programs of Allegany County, Maryland. Further, we do not express an opinion on the internal control systems used in administering the major federal financial assistance programs of Allegany County, Maryland.

Also, our audit, made in accordance with the standards mentioned in the first paragraph, would not necessarily disclose material weaknesses in the internal control systems used solely in administering nonmajor federal financial assistance programs.

However, our study and evaluation and our audit disclosed no condition that we believe to be a material weakness in relation to a federal financial assistance program of Allegany County, Maryland.

This report is intended solely for the use of management and the United States Department of Health and Human Services and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by Allegany County, Maryland, is a matter of public record.

Delaney, Turnbull & Associates, P.A.

July 28, 1989

ALLEGANY COUNTY, MARYLAND
OVERSIGHT ENTITY

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SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 1988

FEDERAL GRANTOR <u>PROGRAM TITLE</u>	FEDERAL CFDA NUMBER	FEDERAL GRANT NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM/ AWARD AMOUNT	BEGINNING BALANCE AT JULY 1, 1987	REVENUES	OTHER FINANCING SOURCES/USES	EXPENDITURES	ENDING BALANCE AT JUNE 30, 1988
<u>US Dept. of Housing and Urban Development:</u>									
1985 CDBG									
1985 CDBG	14.219	B85-DH-24-0002	N/A	\$300,000	\$0	\$53,143	\$5,004	\$58,147	\$0
1982 CDBG	14.219	B82-DH-24-0004	N/A	500,000	24,342	0	0	0	24,342
1980 CDBG	14.219	A80-DN-24-0100	N/A	1,570,000	42,380	0	0	0	42,380
CDBG - Housing Project Income	14.219	N/A	N/A	0	37,307	29,357	0	23,203	43,461
CDBG - Shell Building Project Income	14.219	N/A	N/A	0	0	25,275	24,482	133,901	(84,144)
Passed through Maryland Dept. of Economic and Community Development:									
Section 8 Mod Rehab	14.156	P-3525	MD06-K020	217,140	3,413	25,626	0	25,960	3,079
Section 8 Mod Rehab Admin	14.156	P-3525	MD06-K020		0	2,688	0	2,688	0
Section 8 Existing	14.156	P-3507	MD06-E020	241,230	28,531	337,777	0	335,841	30,467
Section 8 Existing Admin	14.156	P-3507	MD06-E020		0	30,408	0	30,408	0
Small Cities CDBG - Celanese Sewage Treatment Plant Rehab	14.228	N/A	MD-87-ARC-2	990,000	0	11,128	0	11,128	0
Total US Department of HUD					\$135,973	\$515,402	\$29,486	\$621,276	\$59,585
<u>US Dept. of Agriculture:</u>									
Farmers Home Administration/Industrial Dev. Grant									
Industrial Dev. Grant	10.418								
Westernport Indust. Park	10.424	N/A	N/A	\$95,000	(\$5,865)	\$0	\$5,865	\$0	\$0
Passed through Maryland Dept. of Education:									
Temporary Emergency Food Assistance Program									
Temporary Emergency Food Assistance Program	10.550	N/A	N/A	N/A	0	7,737	0	7,737	0
Total US Department of Agriculture					(\$5,865)	\$7,737	\$5,865	\$7,737	\$0

(continued)

ALLEGANY COUNTY, MARYLAND
OVERSIGHT ENTITY

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SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 1988

FEDERAL GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL GRANT NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM/ AWARD AMOUNT	BEGINNING BALANCE AT JULY 1, 1987	REVENUES	OTHER FINANCING SOURCES/USES	ENDING BALANCE AT JUNE 30, 1988
<u>US Dept. of Transportation:</u>								
Passed through Maryland Dept. of Transportation:								
State Highway Admin. of MD H8302 Williams Rd.	20.205	BR-SOS-1(169)	A672-951-612	140,000	(\$14,997)	\$0	\$14,997	\$0
H8307 Bridge Invent.	20.205	BR-NBIS-(038)	A706-951-612	101,000	206	0	(206)	0
Mexico Farms Bridge	20.205	BR-SOS-1(236)	A708-951-612	325,600	55,860	0	(55,860)	0
Urban Mass Trans. Admin.\								
State Mass Transit Admin.								
Operating Assistance (FY87)	20.507	MD-90-4031	MD-90-4031	185,749	0	185,749	109,791	295,540
Operating Assistance (FY87)	20.507	MD-18-4002	MD-18-4002	34,452	0	34,452	17,226	51,678
Capital Assistance	20.507	MD-90-0031	MD-90-0031	24,000	0	2,329	437	2,766
Operating Assistance (FY88)	20.507	MD-90-4034	MD-90-4034	212,104	0	0	180,582	180,582
Operating Assistance (FY88)	20.507	MD-18-4005	MD-18-4005	13,643	0	0	0	0
Capital Assistance	20.507	MD-90-0034	MD-90-0034	248,000	0	0	0	0
Capital Assistance	20.507	MD-90-0022	MD-90-0022	24,000	0	13,200	2,475	15,675
Capital Assistance	20.507	MD-90-0018	MD-90-0018	453,000	0	25,931	4,862	30,793
55 Speed Enforcement	20.600		87009	16,000	0	19,578	585	20,163
Unified Planning Work Program	20.600	AW086-298-046	MD-08-8009	36,800	0	15,915	3,992	19,907
Total US Department of Transportation					\$41,069	\$297,154	\$278,881	\$617,104
<u>US Dept. of the Treasury:</u>								
Revenue Sharing:								
Entitlement 17 (Amended)	21.300	21-1-001-001	N/A	18,450	\$18,450	\$0	\$0	\$18,450
<u>US Department of Health and Human Services:</u>								
Pass through Maryland Dept. of Human Resources:								
Child Support Enforcement	13.679	N/A	CSEA/CR-07/ 88-001	\$74,364	\$0	\$44,681	\$32,993	\$94,060
								(\$16,386)

(continued)

ALLEGANY COUNTY, MARYLAND
OVERSIGHT ENTITY

page 3 of 5

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 1988

FEDERAL GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL GRANT NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM/ AWARD AMOUNT	BEGINNING BALANCE AT JULY 1, 1987	REVENUES	OTHER FINANCING SOURCES/USES	EXPENDITURES	ENDING BALANCE AT JUNE 30, 1988
Federal Emergency Management Agency:									
Passed through Maryland Emergency and Civil Defense Agency:									
Civil Defense FY 1987	83.516	MD-280	MD-280	N/A	\$0	\$6,100	\$16,326	\$22,426	\$0
Civil Defense FY 1988	83.516	MD-280	MD-280	N/A	0	23,775	60,606	92,403	(8,022)
Total Federal Emergency Management Agency					<u>0</u>	<u>29,875</u>	<u>76,932</u>	<u>114,829</u>	<u>(8,022)</u>
US Department of Interior:									
Appalachian Regional Commission:									
ARC 302	23.011	83.115	N/A	300,000	\$0	\$0	\$0	\$0	\$0
Industrial Development Grant Westemport Indust. Park	23.002	N/A	N/A	244,000	(15,421)	0	15,421	0	0
Downtown Westemport Revitalization Project	23.011	83.92	MD-8390-82-Y1	480,000	0				
Passed through State Highway Administration of Maryland:									
H8312 MF Access Road (ARC 20 20.205	20.205	ALR-23-008	APL-5000	395,429	6,062	785	(6,847)	0	0
Passed through Maryland Department of Natural Resources:									
Land and Water Conservation:									
Program Open Space:									
Allegany High Track	15.916	N/A	1674-1-69	76,521	0	1,578	1,506	3,084	0
Allegany Co. Fairgrounds	15.916	N/A	2196-1-81	64,096	(9,883)	0	39,282	29,399	0
Total US Department of Interior					<u>(\$19,242)</u>	<u>\$2,363</u>	<u>\$49,362</u>	<u>\$32,483</u>	<u>\$0</u>

(continued)

**ALLEGANY COUNTY, MARYLAND
OVERSIGHT ENTITY**

page 4 of 5

**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 1988**

(continued)

ALLEGANY COUNTY, MARYLAND
OVERSIGHT ENTITY

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SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 1988

FEDERAL GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL GRANT NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM/ AWARD AMOUNT	BEGINNING BALANCE AT JULY 1, 1987	REVENUES	OTHER FINANCING SOURCES/USES	EXPENDITURES	ENDING BALANCE AT JUNE 30, 1988
<u>Environmental Protection Agency</u>									
Georges Creek Step 3	66.418	C-240382-03	N/A	14,065,000	0	0	0	0	0
Oldtown Sewage Project	66.418	C-240384-03	N/A	601,270	0	0	0	0	0
Valley Road/Bowmans Addition Sewage Project	66.418	C-240596-03	N/A	1,292,470	0	0	0	0	0
Flintstone Sewage Project	66.418	C-240383-01	N/A	12,000	0	0	0	0	0
Flintstone Sewage Project	66.418	C-240383-02	N/A	19,993	0	0	0	0	0
Flintstone Sewage Project	66.418	C-240383-03	N/A	771,300	0	0	0	0	0
Total Environmental Protection Agency					0	0	0	0	0
Total Federal Financial Assistance Programs					\$172,507	\$1,740,397	\$665,669	\$2,489,554	\$89,019

ALLEGANY COUNTY, MARYLAND

NOTES TO SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS JUNE 30, 1988

Note 1 - Scope of Audit

All federal financial assistance programs under the control of the Board of Commissioners of Allegany County, Maryland are included in the scope of this single audit. The single audit was conducted in accordance with the provisions of Single Audit Act of 1984 and the Office of Management and Budget's Compliance Supplement for Single Audits of State and Local Governments (April, 1985 revision). Compliance testing of all general requirements, as described in the Compliance Supplement was performed. Compliance testing of specific requirements was performed for the following federal financial assistance programs. These programs represent all federal financial assistance programs with fiscal year 1988 expenditures in excess of \$300,000 and cover 73.5% of total federal financial assistance program expenditures:

<u>Grant Description</u>	<u>CFDA Number</u>	<u>Fiscal Year 1988 Expenditures</u>
Section 8 Housing Funds	14.156	\$ 394,897
Urban Mass Transit Administration Grants	20.507	577,034
FHA Grant	10.418	<u>858,457</u>
TOTAL		<u>\$ 1,830,388</u>

Compliance testing of specific requirements was also performed on federal transactions tested during the audit of the general purpose financial statements that relate to a Federal financial assistance program.

Note 2 - Cognizant Audit Agency

The United States Department of Health and Human Services has been designated cognizant audit agency for the Single Audit.

ALLEGANY COUNTY, MARYLAND

NOTES TO SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS (Continued) JUNE 30, 1988

Note 3 - Fiscal Period Audited

Single audit testing procedures were performed for program transactions occurring during the period July 1, 1987 to June 30, 1988.

Note 4 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying schedule of federal financial assistance programs includes all federal grants of the County which had financial activity during fiscal year 1988. This schedule has been prepared on the modified accrual basis of accounting in accordance with generally accepted accounting principles and to facilitate comparability to the County's general purpose financial statements prepared on the same basis of accounting.

The accompanying Schedule of Federal Financial Assistance includes all financial activity of Allegany County Component Unit only. The General Purpose Financial Statements for the Allegany County Reporting Entity include the following component units in accordance with National Council on Government Accounting ("NCGA") Statement 3 who are responsible for administering their own Federal programs and submitting their own Single Audit reports.

- Allegany County Board of Education
- Allegany County Library System
- Allegany County Transit Authority
- Allegany Community College
- LaVale Sanitary Commission

ALLEGANY COUNTY, MARYLAND

NOTES TO SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS (Continued) JUNE 30, 1988

Note 4 - Summary of Significant Accounting Policies - (continued)

Beginning and Ending Balances

The beginning and ending balances in the accompanying schedule of federal financial assistance represent project and/or fund balances at July 1, 1987 and June 30, 1988, respectively. As a result of preparing the accompanying Schedule of Federal Financial Assistance on the modified accrual basis, timing differences between program receipts and reimbursements and expenditures have been eliminated. Beginning and ending fund balances agree with or reconcile to the County's general purpose financial statements.

Other Financing Sources and Uses

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

Note 5 - Change in Definition of Allegany County Component Unit

Effective January 1, 1988 the County assumed direct management control over Allegany Sanitary Districts, Inc. The County Commissioners now direct the day-to-day operations of the various sanitary districts. The County has integrated the employees of the Sanitary Districts into the appropriate County departments (Department of Public Works, Finance Department, etc.).

As a result, the County has included Allegany County Sanitary Districts, Inc. into the definition of Allegany County Component Unit effective for the fiscal year ending June 30, 1988. All financial transactions of the sanitary districts have been included in the County's financial audit for the year ended June 30, 1988. All Federal transactions of the sanitary districts have been included in this single audit report. Allegany County Sanitary Districts have previously been accounted for as a separate component unit responsible for their own financial reporting and single audits.

ALLEGANY COUNTY, MARYLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR YEAR ENDED JUNE 30, 1988

PROGRAM	FINDING	QUESTIONED COSTS
U.S. Department of Agriculture - Farmers Home Administration Pekin/Moscow Water Project	Before Allegany County, Maryland assumed control of Allegany County Sanitary Districts, Inc. on January 1, 1988, the Pekin/Moscow Project was administered by Allegany County Sanitary Districts, Inc. Federal regulations require local governments administering Federal funds to have a formal policy of nondiscrimination. Allegany County Sanitary Districts, Inc. had no such policy.	-0-

ALLEGANY COUNTY, MARYLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR YEAR ENDED JUNE 30, 1988

PROGRAM	FINDING	QUESTIONED COSTS
U.S. Department of Housing and Urban Development - Section 8 Program	Form 50059 is required to be filed annually within 180 days of the end of the tenant's contract. Of twenty- five expenditures selected for testing, sixteen instances were noted wherein the form was filed late.	-0-
	An annual inspection report is required to be filed prior to executing the HAP contract to en- sure the unit meets Housing Quality Standards. Of twenty- five expenditures selected, five instances were noted wherein the report was filed late.	-0-

ALLEGANY COUNTY, MARYLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR YEAR ENDED JUNE 30, 1988

PROGRAM	FINDING	QUESTIONED COSTS
U.S. Department of Housing and Urban Development-Section 8 Housing Funds	<p>The County is required to review the contract rent and utility allowances for each unit to assure they do not exceed certain rent limitations. Of thirty-two expenditures selected for examination the County could not locate evidence of such procedures being performed for seven of the tenant files examined.</p> <p><i>Rent Reasonable Form</i></p> <hr/> <hr/>	None

ALLEGANY COUNTY, MARYLAND

**STATUS OF 1987 FINDINGS
FOR YEAR ENDED JUNE 30, 1988**

PROGRAM	1987 FINDING	STATUS
U.S. Department of the Treasury - Revenue Sharing Grant No. 21-1-001-001 Entitlement 17	<p>In administering the Federal Revenue Sharing Funds, the County was unaware of and therefore failed to comply with the following requirements:</p> <p>* Publish an "initial notice" that the County does not discriminate on the basis of handicap in employment, admission or access to or treatment in its programs or activities including the name of the employee who coordinated compliance with handicap regulations as required by 31 CFR 51.55(e).</p> <p>* Publicize in a newspaper of general circulation that the prior audit report is available for public inspection as required by 31 CFR 51.108(a) (b).</p>	To resolve this finding the County has indicated it will comply with the aforementioned requirements should the Federal Revenue Sharing program be reinstated and the County is a recipient of such funds.

ALLEGANY COUNTY, MARYLAND

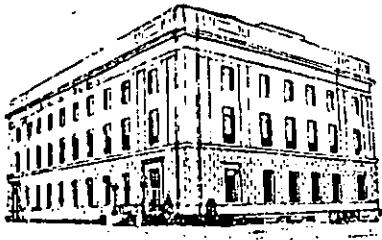
STATUS OF 1987 FINDINGS FOR YEAR ENDED JUNE 30, 1988

PROGRAM	1987 FINDING	STATUS
U.S. Department of Housing and Urban Development- Section 8 Funds passed through Maryland Department of Economic and Community Development	The County passed - through all of its Section 8 grants to a subrecipient - Allegany County Public Housing Authority ("PHA"). OMB Circular A-128 requires grantees to monitor sub-recipients of Federal funds by requiring sub-recipients to submit Single Audit reports and following-up on findings and questioned costs. Although the County has required PHA to submit a Single Audit, it has not been received by the County as of the date of issuance of this report. However, the County has monitored the selection and contracting of an audit firm to perform the PHA Single Audit.	To resolve this finding the County has received and reviewed the Financial and Single Audit reports from the Allegany County Public Housing Authority. The County is in the process of following-up on Findings and Questioned Costs. Any adjustments necessary to the County's books of account as a result of this process will be reflected on the County's books of account, General Purpose Financial Statement and Single Audit Report for the fiscal year ended June 30, 1989

ALLEGANY COUNTY, MARYLAND

STATUS OF 1987 FINDINGS FOR YEAR ENDED JUNE 30, 1988

PROGRAM	1987 FINDING	STATUS
U.S. Department of Housing and Urban Development- CDBG Funds	<p>The County passed - through all of its CDBG Funds to a subrecipient- Allegany County Public Housing Authority ("PHA"). OMB Circular A-128 requires grantees to monitor subrecipients of Federal funds by requiring subrecipients to submit Single Audit reports and following-up on findings and questioned costs. Although the County has required PHA to submit a Single Audit, it has not been received by the County as of the date of issuance of this report. However, the County has monitored the selection and contracting of an audit firm to perform the PHA Single Audit.</p>	<p>To resolve this finding the County has received and reviewed the Financial and Single Audit reports from the Allegany County Public Housing Authority. The County is in the process of following-up on Findings and Questioned Costs. Any adjustments necessary to the County's books of account as a result of this process will be reflected on the County's books of account, General Purpose Financial Statement and Single Audit Report for the fiscal year ended June 30, 1989</p>



Department of Finance for Allegany County

3 Pershing Street — County Office Building
Cumberland, Maryland 21502

Jerry L. Frantz, Director of Finance
W. Jay George, Senior Accountant
Kevin M. Shaffer, Accountant

September 11, 1989

Mr. John Cape, Audit Manager
U.S. Department of Health & Human Services
3535 Market Street
P.O. Box 13716
Philadelphia, Pennsylvania 19106

Dear Mr. Cape:

Re: Allegany County's Corrective Plan for Findings
in the June 30, 1988 Single Audit

As you are well aware, Allegany County in its June 30, 1988 Single Audit report had minor findings. This correspondence represents our response in providing a corrective plan of the aforementioned findings.

1. Program - U.S. Department of Agriculture - Farmers Home Administration
Pekin/Moscow Water Project

Finding - Before Allegany County, Maryland assumed control of Allegany County Sanitary District, Inc. on January 1, 1988, the Pekin/Moscow Project was administered by Allegany County Sanitary District, Inc. Federal regulations require local governments administering Federal funds to have a formal policy of nondiscrimination. Allegany County Sanitary Districts, Inc. had no such policy.

Questioned Costs - \$0.00

Corrective Plan - Since Allegany County government has assumed control of Allegany County Sanitary District, Inc. as of January 1, 1988, there is a formal policy of nondiscrimination for this project and any others.

2. Program - U.S. Department of Housing and Urban Development - Section 8 Program

Finding - Form 50059 is required to be filed annually within 180 days of the end of the tenant's contract. Of twenty-five expenditures selected for testing, sixteen instances were noted wherein the form was filed late.

An annual inspection report is required to be filed prior to executing the HAP contract to ensure the unit meets Housing Quality Standards. Of twenty-five expenditures selected, five instances were noted wherein the report was filed late.

Mr. John Cape
Page Two
September 11, 1989

Questioned Costs - \$0.00

Corrective Plan - As a part of the re-organization of splitting the Allegany County Public Housing Authority with Allegany County, Section 8 was transferred to the Allegany County Department of Economic Development, Division of Housing and Community Development. Since the transfer, the Housing Specialist has devoted full time to catching up the Section 8 files and has completed her work. Steps have been taken by Allegany County to ensure that no insufficiencies in this area will be in future reports.

3. Program - U.S. Department of Housing and Urban Development Section 8 Housing Funds

Finding - The County is required to review the contract rent and utility allowances for each unit to assure they do not exceed certain rent limitations. Of thirty-two expenditures selected for examination, the County could not locate evidence of such procedures being performed for seven of the tenant files examined.

Questioned Costs - \$0.00

Corrective Plan - Further examination of the instances referred to in this finding were made by the Allegany County Finance Department and the auditing firm. The result of the examination is that all units that exceeded rent limitations were authorized, all forms were properly filed and that there should not have been a finding in the June 30, 1988 report. The auditors will indicate this on the June 30, 1989 Single Audit.

Since this office has received numerous requests from federal and state agencies for copies of the Single Audit, by this letter, those agencies are receiving the corrective plan report.

If you have any questions or comments concerning the County's correction plan, please feel free to contact me.

Very truly yours,


Jerry L. Frantz
Director of Finance

JLF:ms

cc: Allegany County Commissioners
Allegany County Department of Economic Development
Farmers Home Administration
Dept. of Housing & Urban Development
Dept. of Economic & Community Development
MD Dept. of Fiscal Services
MD Dept. of Health & Mental Hygiene
U.S. Dept. of Transportation
MD Emergency Management & Civil Defense Agency
MD Dept. of Transportation