

**ALLEGANY COUNTY, MARYLAND
SINGLE AUDIT REPORT
JUNE 30, 2017**

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, 2017, 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 January 17, 2018. Our report includes a reference to other auditors who audited the financial statements of Allegany County Board of Education and Allegany County Library System, 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 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.

A handwritten signature in black ink, appearing to read "Thomas J. Kralik, P.C." The signature is fluid and cursive, with "Thomas" and "J. Kralik" being more distinct and "P.C." being smaller at the end.

Cumberland, Maryland
January 17, 2018

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Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

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 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, 2017. 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, Allegany College of Maryland and LaVale Sanitary Commission, which received \$13,594,972, \$15,282,900, and \$861,936 in federal awards, respectively, which is not included in Allegany County, Maryland's schedule of expenditures of federal awards during the year ended June 30, 2017. 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 the Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-001, 2017-002, and 2017-003. Our opinion on each major federal program is not modified with respect to these matters.

Allegany County, Maryland's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Allegany County, Maryland's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance, 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-001, 2017-002, 2017-003, and 2017-004 to be significant deficiencies.

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.

Allegany County, Maryland's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Allegany County, Maryland's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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, 2017, and the related notes to the financial statements, which collectively comprise Allegany County, Maryland's basic financial statements. We issued our report thereon dated January 17, 2018, 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 the Uniform Guidance 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.

Purpose of this Report

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Tunstall, Howard; Kahl, P.t.

Cumberland, Maryland
January 17, 2018

ALLEGANY COUNTY, MARYLAND
PRIMARY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Federal CFDA#	Federal Grant Number	Pass-Through Grantor's Number	Program Award Date	Program Award Amount	Federal Expenditures	Pass Through to Subrecipients
U.S. Department Of Agriculture							
Direct:							
Rural Development:							
Rawlings Phase III	10.780	USDA Grant		2012	450,000	137,008	
Route 36 Water Project	10.780	USDA Grant	00-48	1/12/2016	600,000	269,251	
Creek Road Water Project	10.780	USDA Loan	00-48	6/30/2016	100,000	100,000	
Creek Road Water Project	10.780	USDA Grant	00-48	6/30/2016	715,000	381,637	
Wright's Crossing Pump Station!Bd Road Phase 5	10.780	USDA Grant	00-48	6/30/2015	932,000	573,711	
Wright's Crossing Pump Station	10.780	USDA Loan	00-48	6/30/2015	3,000,000	865,740	
Total U.S. Department Of Agriculture						\$ 2,317,347	\$ -
U.S. Department of Housing and Urban Development							
Indirect							
Pass-Through Md Dept of Housing and Community Development							
Community Development Block Grant-Sunnyside Project	14.228	CDBG Grant	MD-17-CD-21	4/27/2017	400,000	400,000	
Emergency Solutions Grant	14.231	N/A	15-ESG-12-2014	12/17/2014	121,930	10,886	10,886
Emergency Solutions Grant	14.231	N/A	16-ESG-01-2015	12/17/2015	112,306	94,905	94,905
Emergency Solutions Grant	14.231	N/A	17-ESG-01-2016	12/17/2016	118,630	33,434	33,434
Pass-Through Maryland Dept of Housing and Community Development							
Section 8 Voucher-Part of Housing Voucher Cluster	14.871	P-3507V	MD06-V020	7/1/2015	N/A	927,915	927,915
Total U.S. Department of HUD						\$ 1,488,940	\$ 1,088,940

ALLEGANY COUNTY, MARYLAND
PRIMARY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

U.S. Department of Justice

Indirect:

Maryland State Police

JAG Grant	16,738	N/A	BJAG-2014-0010	7/1/2016	21,129	4,704	
JAG Grant	16,738	N/A	BJAG-2014-15-0033	7/1/2016	21,831	2,072	
Total U.S. Department Of Justice						\$ 6,776	\$ -

U.S. Department of Transportation

Indirect:

Urban Mass Trans Admin:

Passed Through Maryland Dept of Transp	20,507	N/A	MD-80-4118	12/3/2016	808,837	725,584	
Operating Preventive Maint-Part of Federal Transit Cluster							
Transit Cluster							

Highway Administration

Passed-Through Maryland Dept of

Transportation

Unified Planning Work Program 13	20,505	N/A	FY16 UPWP	7/1/2016	N/A	54,054	
Maryland Motor Vehicle Admin-Part of Highway Safety Cluster	20,600	N/A	LE 17-053	7/1/2016	N/A	3,095	
Maryland Motor Vehicle Admin	20,608	N/A	LE 17-053	7/1/2016	N/A	1,205	
Maryland Motor Vehicle Admin-Part of Highway Safety Cluster	20,616	N/A	LE 17-053	7/1/2016	N/A	9,589	

Total U.S. Department Of Transportation

\$ 793,527 **\$ -**

ALLEGANY COUNTY, MARYLAND
PRIMARY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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	10/1/2016	38,431	38,431
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Total U.S. Department of Health and Human Services

\$ 38,431	\$ -
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Federal Emergency Management

Indirect:

Passed Through Maryland Emergency

Management Agency

2016 Snowstorm

97,036	N/A	FEMA-4261-DR-MD	10/31/2016	13,268
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Hazardous Materials Emergency

97,042	N/A	FY 2016	7/1/2016	6,200
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Civil Defense

97,042	N/A	FY 2016	7/1/2016	83,441
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Total Federal Emergency Management

\$ 102,929	\$ -
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U.S. Department of Homeland Security

Indirect:

Passed Through Maryland Emergency

Management Agency

State Domestic Preparedness-EMS Radios

97,067	15SHSP836	SHSP-2015	7/1/2016	72,727
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State Domestic Preparedness-EMS Radios

97,067	16SHSP836	SHSP-2016	7/1/2016	284,167
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State Domestic Preparedness-2017 Expenditures

97,073	14SHSP836	SHSP-2014	7/1/2016	118,757
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Total U.S. Department of Homeland Security

\$ 478,651	\$ -
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\$ 5,202,601	\$ 1,066,940
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Grand Total

ALLEGANY COUNTY, MARYLAND
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

Note 1.

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of Allegany County, Maryland under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Allegany County, Maryland, it is not intended to and does not present the financial position, changes in financial position, or cash flows of Allegany County, Maryland.

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.

Summary of Significant Accounting Policies

Expenditures reported on the schedule of expenditures of federal awards are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3.

Oversight Agency

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

ALLEGANY COUNTY, MARYLAND
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

Note 4.

Pass-Through to Subrecipients

Allegany County, Maryland provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Provided</u>
Emergency Solutions Grant	14.231	\$ 139,025
Section 8 Voucher	14.871	\$ 927,915

Note 5.

Indirect Cost Rate

Allegany County, Maryland has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 6.

Loans/Loan Guarantees

The balance of the loans guaranteed by the United States Department of Agriculture was \$99,590 as of June 30, 2017.

ALLEGANY COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on whether the financial statements of Allegany County, Maryland were prepared in accordance with generally accepted accounting principles.
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. Four 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 the Uniform Guidance.
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 2 CFR section 200.516(a) are reported in this Schedule.
7. The programs tested as major programs included:

Water and Waste Disposal Systems for Rural Communities	10.760
Federal Transit Formula Grants	20.507

8. The threshold used for distinguishing Types A and B programs was \$750,000.
9. Allegany County, Maryland was determined to be a high-risk auditee.

ALLEGANY COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

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

2017-001 Uniform Guidance Compliance

Criteria: The *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* at 2 CFR 200 (Uniform Guidance) requires all nonfederal entities to adopt written policies relative to all federal awards.

Condition: The County has not developed and adopted written policies as required by the Uniform Guidance.

Context: During the course of our single audit testing procedures, we noted the County had not developed and adopted the required written policies. No questioned costs were noted.

Cause: The County was not aware of the Uniform Guidance requirement for written policies.

Effect: Federal funds could be expended that do not meet Uniform Guidance requirements.

Auditor's Recommendation: We recommend that the County 1) develop and adopt written policies in compliance with the Uniform Guidance, and 2) incorporate ongoing grant training for personnel to stay current with all federal grant requirements including Uniform Guidance.

Views of Responsible Officials and Planned Corrective Actions: We agree with the recommendation and will 1) develop and adopt written policies, procedures, and standards of conduct in compliance with the Uniform Guidance, and 2) initiate ongoing grant training for applicable personnel. These recommendations will be implemented in fiscal year 2018.

ALLEGANY COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

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

2017-002 Failure to Timely File Fiscal Year 2016 Data Collection Form

Criteria: The *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* at 2 CFR 200 (Uniform Guidance) requires the Data Collection Form to be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period. For the County, nine months after the end of the audit period is March 31.

Condition: The County did not submit the fiscal year 2016 Data Collection Form by the due date required in the Uniform Guidance.

Context: As the prior year auditor, we were aware that the fiscal year 2016 Data Collection Form was not filed by the due date required in the Uniform Guidance. No questioned costs were noted.

Cause: Due to various issues, one of the County's component unit's fiscal year 2016 financial statement audit and single audit was not completed until after the County's due date of the Data Collection Form. As a result, the County could not complete their fiscal year 2016 financial statement audit and single audit until all of their component units' audit reports were issued.

Effect: The County is not considered a low-risk auditee for fiscal year 2017 and must meet the 40% coverage rule for testing federal expenditures under the Uniform Guidance requirements.

Auditor's Recommendation: We recommend that the County communicate with all of their component units the importance of having the annual financial statement audit and single audit, as applicable, completed in a timely manner which will better ensure that the Data Collection Form is filed by the due date required in the Uniform Guidance.

Views of Responsible Officials and Planned Corrective Actions: We agree with the recommendation and will strengthen the communications with our component units regarding the importance of having the annual financial statement audit and single audit, as applicable, completed in a timely manner. This recommendation will be implemented in fiscal year 2018.

ALLEGANY COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

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

2017-003 Equipment and Real Property Management Compliance

Federal Program: United States Department of Agriculture; Water and Waste Disposal Systems for Rural Communities; CFDA No. 10.760

Criteria: The *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* at 2 CFR 200 (Uniform Guidance) requires all nonfederal entities that purchase equipment to maintain property records that include a description of the property, a serial number, or other identification number, the source of funding for the property, who holds title, the acquisition date, cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property is acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property. In addition, the Uniform Guidance requires a physical inventory of the property to be taken at least once every two years and the results reconciled with the property records.

Condition: The County does not maintain property records for equipment purchased with federal funds that outlines the information required to be maintained under the Uniform Guidance requirements. In addition, the County is not performing a physical inventory of the property at least once every two years and reconciling it to the property records.

Context: During the course of our single audit testing procedures, we noted the County had not maintained the required property records for equipment purchased with federal funds and as a result, had not performed a physical inventory of the property and reconciled it with the property records. No questioned costs were noted.

Cause: The County was not aware of the Uniform Guidance requirements for Equipment and Real Property Management.

Effect: Without the required property records, the County could be in noncompliance with the federal requirements by misusing the equipment in allowing other programs and/or departments to use the equipment without prior approval by the federal awarding agency, and dispose of the equipment incorrectly by not following the disposal guidelines as outlined in the Uniform Guidance.

Auditor's Recommendation: We recommend that the County 1) develop more stringent procedures to ensure all compliance requirements are met as outlined in the Uniform Guidance, and 2) incorporate ongoing grant training for personnel to stay current with all federal grant requirements including Uniform Guidance.

ALLEGANY COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

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

Views of Responsible Officials and Planned Corrective Actions: We agree with the recommendation and will 1) develop more stringent procedures to ensure all compliance requirements are met as outlined in the Uniform Guidance, and 2) initiate ongoing grant training for applicable personnel. These recommendations will be implemented in fiscal year 2018.

2017-004 Earmarking Compliance

Federal Program: United States Department of Transportation; Federal Transit Formula Grants; CFDA No. 20.507

Criteria: The *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* at 2 CFR 200 (Uniform Guidance) limits nonfederal entities operating under the 5307 transit program to spend no more than 0.5 percent of federal funds on expenditures for human resources and workforce development activities, including training.

Condition: The County was not aware of this earmarking requirement under the transit program and as a result, they do not have internal controls in place to ensure continuing compliance with this requirement.

Context: During the course of our single audit testing procedures, we noted the County had not developed internal controls over the earmarking requirement to ensure continuing compliance. No questioned costs were noted.

Cause: The County was not aware of the Uniform Guidance requirements for Earmarking under the Federal Transit Formula Grants program.

Effect: Federal funds could be expended that do not meet Uniform Guidance requirements.

Auditor's Recommendation: We recommend that the County 1) develop more stringent procedures to ensure internal controls are developed to make sure all compliance requirements are met as outlined in the Uniform Guidance, and 2) incorporate ongoing grant training for personnel to stay current with all federal grant requirements including Uniform Guidance.

Views of Responsible Officials and Planned Corrective Actions: We agree with the recommendation and will 1) develop more stringent procedures to ensure internal controls are developed to make sure all compliance requirements are met as outlined in the Uniform Guidance, and 2) initiate ongoing grant training for applicable personnel. These recommendations will be implemented in fiscal year 2018.

ALLEGANY COUNTY, MARYLAND
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2017

D. FINANCIAL STATEMENT AUDIT

None

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

2016-001 Schedule of Expenditures of Federal Awards Reporting

Criteria: The *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* at 2 CFR 200 (Uniform Guidance) requires all nonfederal entities to report accurate, current, and complete disclosure of the financial results of each Federal award or program.

Condition: The County should strengthen its communication between departments to ensure all federal expenditures are accurately known and reported as required by the Uniform Guidance.

Context: The County finance office determined that the Schedule of Expenditures for fiscal year 2016 was missing an expenditure of \$432,017. This was due to subsequent approval of federal funding for the purchase of an asset (purchased during fiscal year 2016). No questioned costs were noted.

Cause: There was miscommunication of approved expenditures between departments of the County.

Effect: Federal funds could be expended that are not accurately reported.

Auditor's Recommendation: We recommend that the County strengthen its policies and procedures over communication between departments to ensure that federal expenditures reported on the Schedule of Expenditures of Federal Awards are complete and accurate.

Current Status: These recommendations will be implemented in fiscal year 2018 as this finding was not discovered until after the fiscal year 2016 single audit report was completed and as a result, the fiscal year 2016 single audit report for the County was restated with a date of January 5, 2018. No similar findings were noted during fiscal year 2017.