

**ALLEGANY COUNTY, MARYLAND
SINGLE AUDIT REPORT
JUNE 30, 2019**

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 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, 2019, 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 23, 2020. 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.

Tunstall, Hoover, Kahl, P.C.

Cumberland, Maryland
January 23, 2020

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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, 2019. Allegany County, Maryland's major federal programs are identified in the summary of auditors' 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 expended \$10,669,160 and \$11,869,267 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, 2019. 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 we 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, 2019.

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 2019-001 and 2019-002. 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-001 to be a material weakness.

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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-002 to be a significant deficiency.

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 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, 2019, 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 23, 2020, 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.

Tumull, Hoover, Kahl, P.A.

Cumberland, Maryland
January 23, 2020

ALLEGANY COUNTY, MARYLAND
PRIMARY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	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							
Wright's Crossing Pump Station\Bd Road Phase 5	10.760	USDA Grant	00-48	6/30/2015	732,000	25,399	
Total U.S. Department Of Agriculture						<u>\$ 25,399</u>	<u>\$ -</u>
U.S. Department of Housing and Urban Development							
Indirect:							
Pass-Through Md Dept of Housing and Community Development							
Community Development Block Grant-Bowling Green Drainage	14.228	CDBG Grant	MD-18-CD-22	11/30/2017	780,000	306,403	
CDBG-Oldtown WWTP Preliminary Study	14.228	CDBG Grant	MD-19-CD-4	1/1/2019	40,000	12,016	
CDBG-Flintstone WWTP Preliminary Study	14.228	CDBG Grant	MD-19-CD-4	1/1/2019	40,000	12,962	
Locust Grove	14.228	CDBG Grant	MD-19-CD-3	1/1/2019	800,000	253,881	
Emergency Solutions Grant	14.231	N/A	18-ESG-01-2017	12/17/2017	128,000	32,838	32,838
Pass-Through Maryland Dept of Housing and Community Development							
Section 8 Voucher-Part of Housing Voucher Cluster	14.871	P-3507V	MD08-V020	7/1/2018	N/A	<u>977,224</u>	<u>977,224</u>
Total U.S. Department of HUD						<u>\$ 1,595,324</u>	<u>\$ 1,010,062</u>
U.S. Department of Transportation							
Indirect:							
Urban Mass Trans Admin:							
Passed Through Maryland Dept of Transp							
Operating Preventive Maint-Part of Federal Transit Cluster	20.507	N/A	MD-90-4118	10/1/2018	696,444	696,444	
Capital-Part of Federal Transit Cluster	20.507	N/A	MD-90-4118	10/1/2018	527,200	414,463	
Transit Cluster							
Highway Administration							
Passed-Through Maryland Dept of Transportation							
Allegany Museum Permanenet Transportation Exhibit	20.505	Federal Highway	FAP no. STP-3(541)E	1/1/2019		101,889	
Bridge A-116 Orleans Road	20.505	Federal Highway	FAP no. STP-3(578)E	1/1/2019		904,565	
Unified Planning Work Program	20.505	N/A	FY18 UPWP	7/1/2018	N/A	49,468	
Total U.S. Department Of Transportation						<u>\$ 2,166,829</u>	<u>\$ -</u>
U.S. Department of Health and Human Services							
Indirect:							
Family Support Administration:							
Pass Through Maryland Dept of Human Resources							
Master's Program	93.563	N/A	CSEA/CR 06-003	10/1/2018	36,117	<u>36,117</u>	
Total U.S. Department of Health and Human Services						<u>\$ 36,117</u>	<u>\$ -</u>
Federal Emergency Management							
Indirect:							
Passed Through Maryland Emergency Management Agency							
SAFER Grant	97.083	N/A	FY2018	11/17/2018		87,366	
Hazardous Materials Emergency	97.042	N/A	FY2018	7/1/2018		4,213	
Civil Defense	97.042	N/A	FY2018	7/1/2018		66,598	
Total Federal Emergency Management						<u>\$ 158,175</u>	<u>\$ -</u>
U.S. Department of Homeland Security							
Indirect:							
Passed Through Maryland Emergency Management Agency							
State Domestic Preparedness	97.067	15SHSP836	SHSP-2018	7/1/2018		452,965	
Total U.S. Department of Homeland Security						<u>\$ 452,965</u>	<u>\$ -</u>
Grand Total						<u>\$ 4,434,809</u>	<u>\$ 1,010,062</u>

ALLEGANY COUNTY, MARYLAND
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

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, 2019. 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, 2019

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	\$ 32,838
Section 8 Housing Voucher	14.871	977,224
	Total	<u>\$1,010,062</u>

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.

ALLEGANY COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? Yes No

Significant deficiency identified not considered to be a material weakness? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness identified? Yes No

Significant deficiency identified not considered to be a material weakness? Yes None reported

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of Major Federal Programs:

<u>Federal CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.871	<u>Housing Voucher Cluster:</u> Section 8 Voucher
20.507	<u>Federal Transit Cluster:</u> Federal Transit Formula Grants
20.505	Federal Highway Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes No

ALLEGANY COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

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

2019-001 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 does not have 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 did not develop and adopt written policies as required by the Uniform Guidance.

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: Allegany County recently hired a grants manager to assist with the grant process. One of the objectives for this new position is to generate a set of written policies governing our federal awards. We anticipate this being fully implemented by June 30, 2020.

ALLEGANY COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

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

2019-002 Failure to Timely File Fiscal Year 2018 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 2018 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 2018 Data Collection Form was not filed by the due date required in the Uniform Guidance. No questioned costs were noted.

Cause: The fiscal year 2018 Data Collection Form was filed late due to one of the County's component units, the Allegany County Board of Education, not completing their audit in a timely manner.

Effect: The County is not considered a low-risk auditee for fiscal year 2019 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: Allegany County is communicating with component units and has already taken action to ensure that this does not occur during future reporting periods.