

**ALLEGANY COUNTY, MARYLAND
SINGLE AUDIT REPORT
JUNE 30, 2020**

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, 2020, 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 February 22, 2021. 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) as a basis for designing 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 financial statements. 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.

T. Michael Hoover ; Karl, P. C.

Cumberland, Maryland
February 22, 2021

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**Independent Auditors' Report on Compliance for
Each Major Federal Program, Internal Control over
Compliance, and Schedule of Expenditures of Federal
Awards 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, 2020. 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 \$11,796,231 and \$12,330,375 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, 2020. 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, 2020.

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 2020-001, 2020-002, and 2020-003. 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.

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 2020-001 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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2020-002 and 2020-003 to be significant deficiencies.

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.

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.

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, 2020, and the related notes to the financial statements, which collectively comprise Allegany County, Maryland's basic financial statements. We issued our report thereon dated February 22, 2021, 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.

Trumbull, Howard; Kahl, P. L.

Cumberland, Maryland
February 22, 2021

**ALLEGANY COUNTY, MARYLAND
PRIMARY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	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:							
Rural Economic Development Grant	10.854	USDA Grant	24-001	7/1/2019	44,000	44,000	
Total U.S. Department Of Agriculture						<u>\$ 44,000</u>	<u>\$ -</u>
U.S. Department of Housing and Urban Development							
Indirect:							
Pass-Through Md Dept of Housing and Community Development							
CDBG-Oldtown WWTP Preliminary Study	14.228	CDBG Grant	MD-19-CD-4	1/1/2019	40,000	14,277	
CDBG-Fillintons WWTP Preliminary Study	14.228	CDBG Grant	MD-19-CD-4	1/1/2019	40,000	15,848	
Locust Grove	14.228	CDBG Grant	MD-19-CD-31	1/1/2019	1,600,000	1,011,201	
Emergency Solutions Grant	14.231	N/A	18-ESG-01-2017	12/17/2017	128,000	248,305	248,305
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	986,985	986,985
Total U.S. Department of HUD						<u>\$ 2,272,616</u>	<u>\$ 1,233,290</u>
U.S. Department of Justice							
Indirect:							
Maryland State Police							
COVID-19 BJAG Grant-Coronavirus Grant	16.034		2020-VD-BX-0258	1/20/2020	\$ 58,006	22,485	
BJAG Assistance Grant OJP BJA	16.738		BJAG-2016-0060	11/21/2019	\$ 14,007	12,919	
Total U.S. Department Of Justice						<u>\$ 35,404</u>	<u>\$ -</u>
U.S. Department of the Treasury							
Indirect:							
Maryland DDS							
COVID-19 Coronavirus Relief Fund	21.019			5/28/2020	\$ 6,143,525	1,921,501	41,517
Total U.S. Department of the Treasury						<u>\$ 1,921,501</u>	<u>\$ 41,517</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	528,836	528,836	
Capital-Part of Federal Transit Cluster	20.507	N/A	MD-90-4118	10/1/2018	482,805	312,060	
Transit Cluster						840,896	
Highway Administration							
Passed-Through Maryland Dept of Transportation							
Allegany Museum Permanent Transportation Exhibit	20.505	Federal Highway	FAP no. STP-3(541)E	1/1/2019		138,111	
Bridge A-116 Orleans Road	20.505	Federal Highway	FAP no. STP-3(578)E	1/1/2019		1,103,863	
Unified Planning Work Program	20.505	N/A	FY19 UPWP	7/1/2019	N/A	61,302	
National Recreational Trail Program (Hwy Planning & Construction Cluster)	20.219	N/A	RT1002	12/18/2019	146,400	86,834	
Total U.S. Department Of Transportation						<u>\$ 2,231,036</u>	<u>\$ -</u>
Appalachian Region Commission							
Direct:							
ARC Grant	28.011		MD-19038	8/1/2019	\$ 395,205	395,205	
Total Appalachian Region Commission						<u>\$ 395,205</u>	<u>\$ -</u>
U.S. Department of Education							
Indirect:							
Passed Through Maryland Department of Disabilities							
2 Gen Promise Grant	84.418T			2/27/2019	\$ 99,995	59,890	
Total U.S. Dept of Education						<u>\$ 59,890</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	10/1/2019	37,881	37,881	
Total U.S. Department of Health and Human Services						<u>\$ 37,881</u>	<u>\$ -</u>
Federal Emergency Management							
Indirect:							
Passed Through Maryland Emergency Mgmt Agency							
SAFER Grant	97.083	N/A	FY 2018	11/17/2018		718,580	
Hazardous Materials Emergency	97.042	N/A	FY 2018	7/1/2019		7,750	
Civil Defense	97.042	N/A	FY 2019	7/1/2019		101,352	
Total Federal Emergency Management						<u>\$ 826,682</u>	<u>\$ -</u>
U.S. Department of Homeland Security							
Indirect:							
Passed Through Maryland Emergency Mgmt Agency							
State Domestic Preparedness	97.067	18SHSP836	SHSP-2018	7/1/2018		326,652	
Total U.S. Department of Homeland Security						<u>\$ 326,652</u>	<u>\$ -</u>
Grand Total						<u>\$ 6,149,647</u>	<u>\$ 1,274,807</u>

ALLEGANY COUNTY, MARYLAND
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

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, 2020. 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, 2020

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	\$ 246,305
Section 8 Housing Voucher	14.871	986,985
Coronavirus Relief Fund	21.019	<u>41,517</u>
	Total	<u>\$1,274,807</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, 2020**

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? Yes X No

Significant deficiency identified? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness identified? X Yes No

Significant deficiency identified? X 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)? X Yes No

Identification of Major Federal Programs:

<u>Federal CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants
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
21.019	Coronavirus Relief Fund

**ALLEGANY COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

A. SUMMARY OF AUDITORS' RESULTS – CONTINUED

Dollar threshold used to distinguish between
Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 Yes X No

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

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

2020-001 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 did not have written policies as required by the Uniform Guidance until June 11, 2020.

Context: During the course of our single audit testing procedures, we noted the County had not developed and adopted the required written policies until June 11, 2020. No questioned costs were noted.

Cause: The County did not develop and adopt written policies as required by the Uniform Guidance until June 11, 2020.

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

Auditor's Recommendation: We recommend that the County 1) follow and update as needed 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 was to generate a set of written policies governing our federal awards. This was fully implemented on June 11, 2020.

**ALLEGANY COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

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

2020-002 Allowable Costs Compliance

Federal Program: United States Department of Transportation; Unified Planning Work Program; CFDA No. 20.505

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

Condition: The County does not have internal controls in place for this requirement under this program to ensure continuing compliance with this requirement.

Context: During the course of our single audit testing procedures, we noted the County received reimbursement of federal funds for an estimated expenditure in the amount of \$4,600 for fiscal year 2020.

Cause: Procedures to ensure compliance with Allowable Costs requirements related to expenditures under the Unified Planning Work program are not in place.

Effect: The estimated expenditures of \$4,600 reimbursed with federal funds are questioned costs.

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 have hired a grants manager who will be tasked with developing procedures to ensure that we are complying with the terms of all grant programs. The grants manager will also be developing internal control procedures over grant funding.

**ALLEGANY COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

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

2020-003 Reporting Compliance

Federal Program: United States Department of Treasury; Coronavirus Relief Fund Program; CFDA No. 21.019

Criteria: The *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* at 2 CFR 200 (Uniform Guidance) requires all nonfederal entities to submit quarterly financial reporting that is supported by and reconciles to the entity's accounting system.

Condition: The County does not have internal controls in place for this requirement under this program to ensure continuing compliance with this requirement.

Context: During the course of our single audit testing procedures, we noted the County's quarterly financial reporting that was submitted for the period of March 1 through June 30, 2020 did not reconcile to the entity's accounting system.

Cause: Procedures to ensure compliance with Reporting requirements related to appropriate review and reconciliation under the Coronavirus Relief Fund program are not in place.

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 have hired a grants manager who will be tasked with developing procedures to ensure that we are complying with the terms of all grant programs. The grants manager will also be developing internal control procedures over grant funding.

