

ANNE ARUNDEL COUNTY BOARD OF EDUCATION
REPORT ON SINGLE AUDIT
YEAR ENDED JUNE 30, 2016

**ANNE ARUNDEL COUNTY BOARD OF EDUCATION
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YEAR ENDED JUNE 30, 2016**

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INDEPENDENT AUDITOR'S 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

Members of the Board
of Education of Anne Arundel County
Annapolis, 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, each major fund, and the aggregate remaining fund information of the Board of Education of Anne Arundel County (the Board), a component unit of Anne Arundel County, Maryland as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated September 29, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board'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 the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency **2016-001** described in the accompanying Schedule of Findings and Responses to be a material weakness.

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. We consider the deficiencies **2016-002** and **2016-003** described in the accompanying Schedule of Findings and Responses to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contract, 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*.

Management's Responses to Findings

Management's responses to the findings identified in our audit are included in the accompanying schedule of findings and questioned costs. Management's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this communication is solely to describe the scope of our testing of internal control over financial reporting and the results of that testing, and not to provide an opinion on the effectiveness of the Board'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 Board's internal control over financial reporting. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Baltimore, Maryland
September 29, 2016



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Members of the Board
of Education of Anne Arundel County
Annapolis, Maryland

Report on Compliance for Each Major Federal Program

We have audited the Board of Education of Anne Arundel County's (the Board) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2016. The Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and 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 the Board'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 for Federal Awards* (Uniform Guidance). Those standards and 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 the Board'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 the Board's compliance.

Opinion on Each Major Federal Program

In our opinion, the Board 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, 2016.

Report on Internal Control Over Compliance

Management of the Board 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 the Board'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 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 the Board's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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 result of that testing based on the requirements of 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, each major fund, and the aggregate remaining fund information of the Board as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements. We issued our report thereon dated September 29, 2016, 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

Members of the Board
of Education of Anne Arundel County

generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
December 22, 2016

**ANNE ARUNDEL COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2016**

| Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/ Grant Name | CFDA Number | Pass-through Entity Identifying Number | Passed through to Subrecipients | Federal Expenditures |
|---|----------------|--|---------------------------------------|-------------------------|
| U.S. Department of Agriculture | | | | |
| Administered Through Maryland State Department of Education: | | | | |
| Department of Agriculture - Food Distribution Program: | | | | |
| Project No.: 2010 Food Distribution | 10.555 | None provided | N/A | \$ 1,541,929 |
| Department of Agriculture - School Breakfast Program: | | | | |
| Project No.: 7082-16 School Breakfast | 10.553 | None provided | N/A | 5,078,256 |
| Department of Agriculture - School Lunch Program: | | | | |
| Project No.: 7081-16 School Lunch | 10.555 | None provided | N/A | 10,688,789 |
| Department of Agriculture - Summer Food Service Program | | | | |
| Project No.: 7052-16 Summer Food Service Program | 10.559 | None provided | N/A | <u>276,132</u> |
| Total Child Nutrition Cluster | | | | 17,585,106 |
| Department of Agriculture - Child and Adult Care Food Program | | | | |
| Project No.: 7053-16 Child and Adult Care Food Program | 10.558 | None provided | N/A | 613,299 |
| State Administrative Expenses for Child Nutrition | | | | |
| Project No.: 3186 Healthy Hunger Free Kids Act Training | 10.560 | 154495-02 | N/A | <u>2,352</u> |
| Total U.S. Department of Agriculture | | | | 18,200,757 |
| U.S. Department of Labor | | | | |
| Administered Through Maryland State Department of: | | | | |
| Employment and Training Administration | | | | |
| Project No.: 5016 WAGES Program | 17.259 | 15-12 | N/A | <u>41,482</u> |
| Total U.S. Department of Labor | | | | 41,482 |
| U.S. Department of Education | | | | |
| Administered Through Maryland Department of Labor and Licensing: | | | | |
| Project No.: 517 External Diploma | 84.002A | POOP4400217 | N/A | 38,015 |
| Administered Through Maryland State Department of Education: | | | | |
| Title I, Part A of ESEA - Improving Basic Programs: | | | | |
| Project No.: 1986 Title I | 84.010A | 154993 | N/A | 11,185 |
| Project No.: 1987 Title I | 84.010A | 154342 | N/A | 8,420 |
| Project No.: 1988 Title I | 84.010A | 155103 | N/A | 30,539 |
| Project No.: 1990 Title I | 84.010A | 165286 | N/A | 38,163 |
| Project No.: 1981 Title I | 84.010A | 165091 | N/A | 9,627,524 |
| Project No.: 1981 Title I | 84.010A | 154351 | N/A | 483,543 |
| Project No.: 1981 Title I | 84.010A | 144490 | N/A | <u>1,782</u> |
| Total Title I Grants to Local Educational Agencies | | | | 10,201,156 |
| Special Education Cluster: | | | | |
| Project No.: 3475 Special Education, Private/Parochial | 84.027 | 164687-01 | N/A | 96,847 |
| Project No.: 3478 Special Education | 84.027 | 155534 | N/A | 48,383 |
| Project No.: 3480 Special Education, Community Service | 84.027 | 154211-05 | N/A | 1,335 |
| Project No.: 3481 Special Education | 84.027 | 164688-02 | N/A | 214,604 |
| Project No.: 3482 Special Education, SE Advisory Committee | 84.027 | 164688-03 | N/A | 340 |
| Project No.: 3483 Special Education | 84.027 | 154211-06 | N/A | 160,519 |
| Project No.: 3484 Special Education, CSPD | 84.027 | 164688-04 | N/A | 216,097 |
| Project No.: 3496 Pass Through | 84.027 | 164688-01 | N/A | 14,931,396 |

See accompanying Notes are an integral part of this schedule.

**ANNE ARUNDEL COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2016**

| Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/ Grant Name | CFDA Number | Pass-through Entity Identifying Number | Passed through to Subrecipients | Federal Expenditures |
|---|----------------|--|---------------------------------------|-------------------------|
| U.S. Department of Education (Continued) | | | | |
| Special Education Cluster: (Continued) | | | | |
| Project No.: 3496 Special Education | 84.027 | 154211-01 | N/A | \$ 396,771 |
| Project No.: 3498 Special Education | 84.027 | 164687-02 | N/A | 475 |
| Project No.: 3516 Special Education, IFSP Extension | 84.027 | 164376-01 | N/A | 88,133 |
| Project No.: 3519 Infants & Toddlers | 84.027 | 154514-01 | N/A | 26,131 |
| Project No.: 3587 Special Education | 84.027 | 155358-01 | N/A | 7,917 |
| Project No.: 3592 Infants & Toddlers | 84.027 | 164373-01 | N/A | 325,901 |
| Project No.: 3592 Infants & Toddlers | 84.027 | 154225-02 | N/A | 22,456 |
| Project No.: 3593 Infants & Toddlers | 84.027 | 145270 | N/A | 32,019 |
| Project No.: 3596 Special Education | 84.027 | 145322 | N/A | 4,410 |
| Project No.: 3477 Special Education, Preschool | 84.173 | 164686-02 | N/A | 6,010 |
| Project No.: 3495 Preschool | 84.173 | 164686-01 | N/A | 341,414 |
| Project No.: 3499 Preschool | 84.173 | 164685 | N/A | 83,034 |
| Project No.: 3592 Infants & Toddlers | 84.173 | 164374-01 | N/A | 9,000 |
| Project No.: 3592 Infants & Toddlers | 84.173 | 164374-02 | N/A | 26,553 |
| Project No.: 3595 Special Education | 84.173 | 155358-02 | N/A | 13,701 |
| Total Special Education Cluster | | | | 17,053,446 |
| Vocational Education - Basic Grants to States: | | | | |
| Project No.: 5080 Career and Technology Perkins Voc Ed. | 84.048 | 165042 | N/A | 565,383 |
| Project No.: 5080 Career and Technology Perkins Voc Ed. | 84.048 | 154850 | N/A | 3,978 |
| Project No.: 5083 Career and Technology PLTW PD | 84.048 | 164971-01 | N/A | 23,790 |
| Total Vocational Education - Basic Grants to States: | | | | 593,151 |
| Special Education - Grants for Infants and Families with Disabilities: | | | | |
| Project No.: 3590 Infants & Toddlers | 84.181A | 164372-01 | N/A | 685,246 |
| McKinney-Vento Homeless Assistance Act, Title VII, Subtitle B. | | | | |
| Project No.: 2295 Homeless Education | 84.196 | 155370 | N/A | 26,973 |
| Project No.: 2296 Homeless Education | 84.196 | 165247 | N/A | 25,436 |
| Total McKinney-Vento Homeless Assistance Act, Title VII, Subtitle B | | | | 52,409 |
| Advanced Placement Program: | | | | |
| Project No.: 1010 High School / High Technology | 84.330 | 165032 | N/A | 6,966 |
| Funding to Ensure Limited English Proficient Children meet Standards: | | | | |
| Project No.: 2183 Title III, Language Instruction for LEP | 84.365A | 144578-01 | N/A | 35,865 |
| Project No.: 2182 Title III, Language Instruction for LEP | 84.365A | 144578-02 | N/A | 4,945 |
| Project No.: 2184 Title III, Language Instruction for LEP | 84.365A | 154422-01 | N/A | 335,803 |
| Project No.: 2185 Title III, Language Instruction for LEP | 84.365A | 165305-01 | N/A | 140,661 |
| Project No.: 2194 Title III, Language Instruction for LEP | 84.365A | 164258-02 | N/A | 60,934 |
| Project No.: 2190 Title III, Language Instruction for LEP | 84.365A | 154422-02 | N/A | 5,636 |
| Project No.: 2192 Title III, Language Instruction for LEP | 84.365A | 155426 | N/A | 5,743 |
| Total Funding to Ensure Limited English Proficient Children meet Standards | | | | 589,587 |
| Math and Science Partnership: | | | | |
| Project No.: 3292 STEM, The Math and Science Partnership Grant | 84.366 | 145115 | N/A | 36,066 |
| Project No.: 5916 The Math and Science Partnership Grant | 84.366 | None provided | N/A | 10,500 |
| Total Math and Science Partnership | | | | 46,566 |

**ANNE ARUNDEL COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2016**

| Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/ Grant Name | CFDA Number | Pass-through Entity Identifying Number | Passed through to Subrecipients | Federal Expenditures |
|--|----------------|--|---------------------------------------|-------------------------|
| U.S. Department of Education (Continued) | | | | |
| Improving Teacher and Principal Quality: | | | | |
| Project No.: 0390 Title II, Improving Teacher Quality | 84.367 | 155658 | N/A | \$ 55,000 |
| Project No.: 0392 Title II, Improving Teacher Quality | 84.367 | 164777-01 | N/A | 717 |
| Project No.: 0393 Title II, Improving Teacher Quality | 84.367 | 154929 | N/A | 714,497 |
| Project No.: 0394 Title II, Improving Teacher Quality | 84.367 | 165309-1 | N/A | <u>1,130,417</u> |
| Total Improving Teacher and Principal Quality | | | | <u>1,900,631</u> |
| Race to the Top- ARRA | | | | |
| Project No.: 0686 Race to the Top | 84.395 | 164200 | N/A | 38,000 |
| Project No.: 0688 Race to the Top | 84.395 | 155648 | N/A | <u>19,892</u> |
| Total Race to the Top- ARRA | | | | 57,892 |
| Race to the Top - Early Learning Challenge- ARRA | | | | |
| Project No.: 3581 Local Early Childhood Advisory Council | 84.412 | 145136 | N/A | 3,742 |
| Project No.: 3561 Special Education | 84.412 | 155358-03 | N/A | <u>2,610</u> |
| Total Race to the Top - Early Learning Challenge | | | | 6,352 |
| American Recovery and Reinvestment Act of 2009 - Preschool Development Grants | | | | |
| Project No.: 1772 Judy Center | 84.419 | 164640 | N/A | 122,857 |
| Total U.S. Department of Education Administered Through the Maryland Agencies | | | | 31,354,274 |
| U.S. Department of Education Direct Programs: | | | | |
| Impact Aid | | | | |
| Unrestricted Federal Revenue, Title VIII of ESEA | 84.041 | --- | N/A | <u>2,084,934</u> |
| Total U.S. Department of Education Direct Programs | | | | <u>2,084,934</u> |
| Total U.S. Department of Education | | | | 33,439,208 |
| U.S. Department of Defense Direct Programs: | | | | |
| Promoting Student Achievement at Schools Impacted by Military Force Structure Changes | | | | |
| Project No.: 3285 STEM@Meade | 12.556 | --- | N/A | 731,534 |
| Project No.: 3291 DoDEA Grant | 12.556 | --- | N/A | 6,916 |
| Project No.: 3599 Special Education STEM | 12.557 | --- | N/A | <u>111,172</u> |
| Total Promoting Student Achievement at Schools Impacted by Military Force Structure Changes | | | | 849,622 |
| Total U.S. Department of Defense | | | | 849,622 |
| Total Federal Awards | | | | <u>\$ 52,531,069</u> |

See accompanying Notes are an integral part of this schedule.

**ANNE ARUNDEL COUNTY BOARD OF EDUCATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2016**

NOTE 1 SINGLE AUDIT REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the expenditures of all federal award programs of the Anne Arundel County Board of Education (the Board) for the year ended June 30, 2016.

NOTE 2 BASIS OF ACCOUNTING

The accompanying SEFA has been prepared using the modified accrual basis of accounting as fully described in the Summary of Significant Accounting Policies accompanying the Board's basic financial statements.

NOTE 3 RELATION TO BASIC FINANCIAL STATEMENTS AND FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying SEFA agree with amounts reported in the Board's basic financial statements and the related federal financial reports submitted by the Board.

Total expenditures per the SEFA reconciles to the Board's basic financial statements as follows:

**Revenues per the Statements of Revenue, Expenditures (Net Assets)
and Changes in Fund Balance**

| | |
|--------------------------------------|----------------------|
| Federal - Food Service | \$ 18,198,406 |
| Federal - General Fund | 38,013,298 |
| Federal - Other funds | <u>38,015</u> |
| Total per Basic Financial Statements | 56,249,719 |
| Less: | |
| FY16 Medicaid | (3,721,665) |
| Plus: | |
| Medicaid Adjustment | <u>3,015</u> |
| Total Expenditures per SEFA | <u>\$ 52,531,069</u> |

NOTE 4 INDIRECT COST RATE

The Board has not elected to use the 10 percent de minimis indirect cost rate allowed under Uniform Guidance

**ANNE ARUNDEL COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

Section I – Summary of Independent Auditors’ Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Grant Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Type of auditor’s 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 programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|------------------------------|--|
| 84.027, 84.173 | Special Education Cluster |
| 10.553, 10.555, 10.559 | Child Nutrition Cluster |

Dollar threshold used to distinguish between type A and type B programs: \$1,586,257

Auditee qualified as low-risk auditee? yes no

**ANNE ARUNDEL COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

Section II – Financial Statement Findings

Finding 2016-001: Prior Period Adjustment – Self-Insurance Fund

Criteria: Management should have a reasonable method for accounting for pharmaceutical rebates.

Condition: The Board did not have a reasonable method for accounting for pharmaceutical rebates, and the Board's internal control did not detect the error in a timely manner.

Cause: Management didn't have a reasonable method for accounting for pharmaceutical rebates, and the Board's internal controls did not detect the error in a timely manner.

Effect: Failure to properly record the receivable resulted in the 2016 financial statements containing a restatement of beginning net position.

Recommendation: We recommend that the Board develop a method of accounting for rebates and make necessary changes to ensure that management fully monitors and reviews all financial areas throughout the year, so that management properly records all material transactions and activities.

Management Response:

Anne Arundel County Board of Education (AABOE) acknowledges the audit findings on the Self-Insurance Fund prior period adjustment. The primary reason for this adjustment was the unpredictability of the amount and timing of the rebates due to a new drug rebate plan going into effect on January 1, 2014. This plan is dependent on the manufacturer payments as well as benefit usage by members, which is hard to predict. AABOE has worked with AON, AABOE consultant on health care, and CareFirst/CVS to put into practice a quarterly monitoring and follow-up process to ensure that the rebate amounts are more accurately predicted and accounting for correctly in the period in question.

Finding 2016-002:

Capital Asset Additions

Criteria: Capital assets should be recorded in the year in which the Board purchases and places the capital assets in service.

Condition: During the year, the Board noted that there were several capital assets purchased by the Board and placed into service in prior years that were not recorded as capital asset ledger.

Cause: The Board's controls over capital asset inventory failed to detect the error in a timely manner.

Effect: Capital asset additions were not accounted for in prior periods, and adjustments were required in the 2016 financial statements to record the capital assets.

Recommendation: We recommend that the Board reviews their current policies and procedures and make the necessary changes to ensure that all capital assets are counted annually, reported to the finance department in a timely manner and properly recorded.

**ANNE ARUNDEL COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

Management Response:

Anne Arundel County Board of Education acknowledges the issue related to monitoring of capital assets. A team will be established consisting of all stake holders to review all policies and procedures to ensure the proper recording and follow-up of all capital asset items.

Finding 2016-003: School Activity Internal Audit Report

Criteria: Findings noted in internal audit reports should be addressed and corrected in a timely manner.

Condition: The Board performs audits over various school fund accounts each year. Several findings in these reports were not corrected in a timely manner.

Cause: The Board doesn't have proper procedures in place to follow up on findings noted in internal audit reports.

Effect: Failure to properly follow up on findings noted on internal audit reports could result in a misappropriation of assets.

Recommendation: We recommend that the Board review current policies and procedures to ensure that findings noted in internal audit reports are properly addressed.

Management Response:

Anne Arundel County Board of Education acknowledges the issue related to School Activity Audit Report findings. Going forward, the Supervisor of Finance, in coordination with the Director of Internal Audit, has been given the responsibility for monitoring the status of the implementation of corrective action formulated by management to address internal audit findings.

Section III – Findings and Questioned Costs for Federal Grant Awards

None

Section IV – Prior Year Findings

Finding 2015-001: Prior Period Adjustment – Self-Insurance Fund

A similar comment was noted in the current year, see current year finding 2016-001.

Finding 2015-002: Capital Asset Additions

See current year finding 2016-002

Finding 2015-003: Payroll Change Review

We determined that corrective action was implemented. No similar findings were noted during the current year audit.