

**ANNE ARUNDEL COUNTY BOARD OF EDUCATION**  
**Annapolis, Maryland**

**REPORT ON SINGLE AUDIT**  
**June 30, 2014**

## TABLE OF CONTENTS

	PAGE
<b>INDEPENDENT AUDITORS' REPORTS</b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	1
Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance and Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133 .....	3
<b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b> .....	6
<b>NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b> .....	10
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b> .....	11
<b>SCHEDULE OF PRIOR YEAR AUDIT FINDINGS</b> .....	14

**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***

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, 2014, 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 30, 2014.

**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 first paragraph of this section 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, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the schedule of findings and questioned costs to be material weaknesses as items 2014-1 through 2014-2.

**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, 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*.

**Management’s Responses to Findings**

Management’s responses to the audit findings reported in the schedule of findings and questioned costs 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 report is solely to describe the scope of our testing of internal control and compliance and the result 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 that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
September 30, 2014

**Independent Auditors' Report on Compliance with Requirements that  
Could Have a Direct and Material Effect on Each Major Federal Program, on  
Internal Control Over Compliance, and on Schedule of Expenditures of Federal  
Awards in Accordance with OMB Circular A-133**

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 Circular A-133 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, 2014. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2014.

## **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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements. We issued our report thereon dated September 30, 2014, 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 OMB Circular A-133 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 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 19, 2014

**ANNE ARUNDEL COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
June 30, 2014**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/ Grant Name	CFDA Number	Grant Award Number	Expenditures
<b>U.S Department of Agriculture</b>			
Administered Through Maryland State Department of Education:			
Department of Agriculture - Food Distribution Program:			
Project No.: 2010 Food Distribution	10.555	280000	\$ 1,224,739
Department of Agriculture - School Breakfast Program:			
Project No.: 7082-14 School Breakfast	10.553	280000	3,754,718
Department of Agriculture - School Lunch Program:			
Project No.: 7081-14 School Lunch	10.555	280000	9,450,990
Department of Agriculture - Summer Food Service Program			
Project No.: 7052-14 Summer Food Service Program	10.559	280000	<u>234,796</u>
<b>Total Child Nutrition Cluster</b>			<u>14,665,243</u>
Department of Agriculture - Child and Adult Care Food Program			
Project No.: 7053-14 Child and Adult Care Food Program	10.558	280000	296,713
State Administrative Expenses for Child Nutrition			
Project No.: 3185 Healthy Hunger Free Kids Act Training	10.560	135368	20,523
Department of Agriculture - Fresh Fruit and Vegetable Program			
Project No.: 7050-14 Fresh Fruit and Vegetable Program	10.582	280000	<u>90,620</u>
<b>Total U.S Department of Agriculture</b>			<u>15,073,099</u>
<b>U.S. Department of Labor</b>			
Administered Through Maryland State Department of:			
Employment and Training Administration			
Project No.: 5016 WAGES Program	17.259	XXXX	<u>61,681</u>
<b>Total U.S. Department of Labor</b>			<u>61,681</u>
<b>U.S. Department of Education</b>			
Administered Through Maryland Department of Labor and Licensing:			
Project No.: 517 External Diploma	84.002A	POOP3400168	86,064
Administered Through Maryland State Department of Education:			
Title I, Part A of ESEA - Improving Basic Programs:			
Project No.: 1985 Title I	84.010A	145183	23,894
Project No.: 1986 Title I	84.010A	134998	18,158
Project No.: 1987 Title I	84.010A	135051	27,217
Project No.: 1988 Title I	84.010A	135149	42,240
Project No.: 1989 Title I	84.010A	135198	2,290
Project No.: 1990 Title I	84.010A	144792	57,223
Project No.: 1981 Title I	84.010A	124524	1,009
Project No.: 1981 Title I	84.010A	134387-01	527,604
Project No.: 1981 Title I	84.010A	144490	<u>9,530,302</u>
Total Title I Grants to Local Educational Agencies			10,229,937
Special Education Cluster:			
Project No.: 3475 Special Education, Private/Parochial	84.027	145053-02	50
Project No.: 3478 Special Education, Passthrough	84.027	145053-01	3,980
Project No.: 3480 Special Education, Community Service	84.027	134259-06	811
Project No.: 3481 Special Education	84.027	134259-02	194,075
Project No.: 3482 Special Education, SE Advisory Committee	84.027	144238-05	1,137
Project No.: 3483 Special Education	84.027	134259-08	61,948
Project No.: 3484 Special Education, CSPD	84.027	144238-06	206,386
Project No.: 3489 Special Education, Partners	84.027	134259-05	423
Project No.: 3493 Special Education	84.027	144239-01	523,838
Project No.: 3496 Pass Through	84.027	144238-01	14,092,005



**ANNE ARUNDEL COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2014**  
(Continued)

<b>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/ Grant Name</b>	<b>CFDA Number</b>	<b>Grant Award Number</b>	<b>Expenditures</b>
<b>U.S. Department of Education (Continued)</b>			
Special Education Cluster: (continued)			
Project No.: 3496 Special Education	84.027	134259-01	\$ 977,206
Project No.: 3516 Special Education, IFSP Extension	84.027	144216-05	32,779
Project No.: 3517 Infants & Toddlers	84.027	134377-05	126,590
Project No.: 3588 Special Education	84.027	135116-02	54,072
Project No.: 3588 Special Education	84.027	144238-02	181,852
Project No.: 3592 Infants & Toddlers	84.027	144216-02	124,743
Project No.: 3598 Special Education, Maryland State Improvement Grant	84.027	144883-01	31,162
Project No.: 3595 Maryland Model for School Readiness	84.173	134518-03	9,911
Project No.: 3474 Maryland Model for School Readiness	84.173	144573-02	15,989
Project No.: 3477 Special Education, Preschool	84.173	144238-04	6,295
Project No.: 3495 Preschool	84.173	144238-03	397,551
Project No.: 3486 Preschool, Private/ Parochial	84.173	134259-04	6,142
Project No.: 3499 Preschool	84.173	144239-02	6,072
Project No.: 3525 Special Education, Building Bridges	84.173	134747-02	59,828
Project No.: 3592 Infants & Toddlers	84.173	144216-03	9,000
Project No.: 3599 Special Education	84.173	144883-02	<u>14,922</u>
Total Special Education Cluster			17,138,767
Vocational Education - Basic Grants to States:			
Project No.: 5080 Career and Technology Perkins Voc Ed.	84.048	144655	571,218
Project No.: 5080 Career and Technology Perkins Voc Ed.	84.048	134763-01	33,171
Project No.: 5083 Career and Technology PLTW PD	84.048	144695	<u>10,000</u>
Total Vocational Education - Basic Grants to States:			614,389
Special Education - Grants for Infants and Families with Disabilities:			
Project No.: 3590 Infants & Toddlers	84.181A	144216-01	698,013
Project No.: 3590/3591 Infants & Toddlers	84.181A	134377-01	<u>88,125</u>
Total Special Education - Grants for Infants and Families with Disabilities:			786,138
Safe and Supportive Schools:			
Project No.: 6785 MD Safe and Supportive Schools	84.184	XXXXXX	16,874
McKinney-Vento Homeless Assistance Act, Title VII, Subtitle B.			
Project No.: 2295 Homeless Education	84.196	134831	47,394
Project No.: 2296 Homeless Education	84.196	144710	<u>38,336</u>
Total McKinney-Vento Homeless Assistance Act, Title VII, Subtitle B			85,730
Advanced Placement Program:			
Project No.: 1010 High School / High Technology	84.330	144718	6,533
Funding to Ensure Limited English Proficient Children meet Standards:			
Project No.: 2182 Title III, Language Instruction for LEP	84.365A	144578-01	130,579
Project No.: 2183 Title III, Language Instruction for LEP	84.365A	144578-02	6,268
Project No.: 2184 Title III, Language Instruction for LEP	84.365A	124282	111,972
Project No.: 2185 Title III, Language Instruction for LEP	84.365A	134207-01	<u>255,070</u>
Total Funding to Ensure Limited English Proficient Children meet Standards			503,889
Math and Science Partnership:			
Project No.: 3290 STEM, The Math and Science Partnership Grant	84.366	125663	48,302
Project No.: 5916 The Math and Science Partnership Grant	84.366	XXXXX	<u>4,375</u>
Total Math and Science Partnership			52,677

**ANNE ARUNDEL COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2014**  
(Continued)

<b>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/ Grant Name</b>	<b>CFDA Number</b>	<b>Grant Award Number</b>	<b>Expenditures</b>
<b>U.S. Department of Education (Continued)</b>			
Improving Teacher and Principal Quality:			
Project No.: 0392 Title II, Improving Teacher Quality	84.367	144759-01	\$ 1,191,762
Project No.: 0394 Title II, Improving Teacher Quality	84.367	134583-02	<u>658,197</u>
Total Improving Teacher and Principal Quality			1,849,959
Race to the Top- ARRA			
Project No.: 0630 Race to the Top	84.395	115741-02	801,482
Project No.: 0610 Race to the Top	84.395	115741-03	830,413
Project No.: 0672 Race to the Top	84.395	135298-01	247,380
Project No.: 0673 Race to the Top	84.395	135298-02	9,000
Project No.: 0673 Race to the Top	84.395	145226-01	1,500
Project No.: 0682 Race to the Top	84.395	144936	40,709
Project No.: 0684 Race to the Top	84.395	145176	47,859
Project No.: 2186 Race to the Top	84.395	144448	26,283
Project No.: 2187 Race to the Top	84.395	144516	<u>52,500</u>
Total Race to the Top			2,057,126
Race to the Top - Early Learning Challenge- ARRA			
Project No.: 3581 Local Early Childhood Advisory Council	84.412	145136	14,568
Project No.: 3479 Infants & Toddlers Program	84.412	135284	26,106
Project No.: 1768 Early Learning Challenge	84.412	144573	<u>57,792</u>
Total Race to the Top - Early Learning Challenge			98,466
ARRA - Head Start			
Project No.: 3585 Local Early Childhood Advisory Council Planning	93.708	135082	2,278
<b>Total U.S. Department of Education Administered Through the Maryland Agencies</b>			<u>33,528,827</u>
<b>U.S. Department of Education Direct Programs:</b>			
Impact Aid			
Unrestricted Federal Revenue, Title VIII of ESEA	84.041		2,188,784
Fund for the Improvement of Education:			
Project No.:3394 Making American History Master Teachers	84.215X		229,375
Fund for the Arts in Education			
Project No.: 3281 SAILSS: Supporting Arts Integrated Learning	84.351D		<u>77</u>
Total U.S. Department of Education Direct Programs			<u>2,418,236</u>
<b>Total U.S. Department of Education</b>			<u>35,947,063</u>
<b>U.S. Department of Homeland Security</b>			
Direct:			
Project No.: 3284 Homeland Security Grant Program	97.067		22,000
<b>U.S. Department of Defense</b>			
Direct:			
Promoting Student Achievement at Schools Impacted by			
Military Force Structure Changes			
Project No.: 3285 STEM@Meade	12.556		447,566
Project No.: 3285 STEM@Meade	12.556		<u>287,242</u>
Total Promoting Student Achievement at Schools Impacted by			<u>734,808</u>
Military Force Structure Changes			

**ANNE ARUNDEL COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2014**  
(Continued)

<b>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/ Grant Name</b>	<b>CFDA Number</b>	<b>Award Number</b>	<b>Expenditures</b>
<b>U.S. Department of Defense (cont.)</b>			
Direct: (cont.)			
Department of Defense Impact Aid Administered Through National Security Agency Science, Mathematics and Engineering Education Grant	12.558		\$ 323,678
Project No.: 2790 MEPP	12.901		4,353
Project No.: 2786 MEPP	12.901		<u>1,660</u>
<b>Total U.S. Department of Defense</b>			<u>1,064,499</u>
<b>Total Federal Awards</b>			<u>\$ 52,168,342</u>

The 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, 2014**

**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, 2014.

**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	\$ 15,049,474
Federal - General Fund	40,863,713
Federal - Other funds	86,064
Total per Basic Financial Statements	55,999,251
 <b>Less:</b>	
FY14 Medicaid	(3,829,044)
Grant 134962 (5087) state funded grant classified as federal in error	(6,916)
Rounding	(5)
 <b>Plus:</b>	
Medicaid Adjustment	1,954
Food Service Adjustment	3,102
<b>Total Expenditures per SEFA</b>	<b>\$ 52,168,342</b>

This information is an integral part of the accompanying schedule.

**ANNE ARUNDEL COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2014**

**Section I – Summary of Auditor's 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 Section 510(a) of OMB Circular A-133?  yes  no

**Identification of major programs:**

<u><b>CFDA Number(s)</b></u>	<u><b>Name of Federal Program or Cluster</b></u>
84.010	Title I
84.395	Race to the Top - ARRA
10.553, 10.555, 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$1,565,050

Auditee qualified as low-risk auditee?  yes  no

**ANNE ARUNDEL COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2014**

**Section II – Financial Statement Findings**

**Finding 2014-001: Prior Period Adjustment**

**Condition/Context**

Credits for insurance claim expenses must be properly recorded in the correct fiscal year.

**Criteria**

Failure to maintain proper accounting practices and internal controls may result in an over or under reporting on the Net Position on the Government Wide Statement of Activities and Self Insurance Fund Statement of Revenues, Expenses, and Changes in Net Position.

**Cause**

Credits for insurance claim expenses are received from the vendor subsequent to payment of the invoice. Claim expenditure credits of approximately \$1.8 million received after year end and related to 2013 were improperly recorded in the 2014 fiscal year and not accrued back to 2013.

**Effect**

The Board's internal controls did not detect the error in a timely manner, which resulted in a restatement of the July 1, 2013 Net Position on the Government Wide Statement of Activities and Self Insurance Fund Statement of Revenues, Expenses, and Changes in Net Position in the amount of \$1,805,617.

**Recommendation**

We recommend that the Board implement policies and procedures to ensure that Board management is fully monitoring and reviewing all financial areas throughout the year, so that management is properly recording all material transactions and activities.

**Management's Response**

A health claim deposit is made to the health care vendor for that month claims. Two months later a true-up between the deposit and actual claims occurs, with the difference paid or reduced against the current months' deposit. Therefore the true-up for the last months of the fiscal year (May and June) does not occur until July and August. Management and CLA were aware that the true-up amount was not recorded in previous years, because the amount was not significant. Management and CLA jointly agreed that the practice should be changed and the true-up amount will be recorded as part of the current fiscal years' claims expense. No change in policies or procedures is required.

**Finding 2014-2: Bank Account Reconciliation**

**Condition/Context**

Purchase card transactions are paid daily by automatic electronic funds transfer.

**Criteria**

Failure to maintain proper accounting practices and internal controls may result in over or under reporting of accounts payable.

**ANNE ARUNDEL COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2014**

**Cause**

Purchase card transactions that occurred after the June credit card statement date but before June 30 were improperly recorded as payables as of June 30, 2014.

**Effect**

As a result, cash and accounts payable were overstated and an audit adjustment was required to correct the misstatement.

**Recommendation**

The Board has established controls and procedures to review bank reconciliations and transactions requiring accrual at year end, however those controls failed to identify this misstatement. We recommend that the Board revise the policies and procedures to ensure that management reviews all available information to ensure that all transactions are recorded at year end.

**Management's Response**

Management agrees that this overstated should have been identified and corrected prior to the auditor's review. Staff will be receiving additional training to ensure that this does not occur again.

**Section III – Findings and Questioned Costs for Federal Grant Awards**

None

**ANNE ARUNDEL COUNTY BOARD OF EDUCATION  
SCHEDULE OF PRIOR YEAR FINDINGS  
June 30, 2014**

**None**