

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

**REPORT ON SINGLE AUDIT**  
**June 30, 2013**

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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***

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, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated October 22, 2013.

**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 of 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 and questioned costs and responses, 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 deficiencies described in the accompanying schedule of findings and questioned costs as items 2013-1 and 2013-2 to be material weaknesses. 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 deficiency described in the accompanying schedule of findings and questioned costs, as item 2013-3 to be a significant deficiency.

**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 Response to Findings**

Management's responses to the findings identified 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 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.

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
October 22, 2013



**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, 2013. 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, 2013.

## **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, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements. We issued our report thereon dated October 22, 2013, 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 13, 2013 except for the Schedule of Federal Awards

which is dated October 22, 2013

**ANNE ARUNDEL COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
June 30, 2013**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/ Grant Name	CFDA Number	Grant Award Number	Federal 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	\$ 991,198
Project No.: 2010 After School Snacks	10.555	280000	3,234
Department of Agriculture - School Breakfast Program:			
Project No.: 7082-13 School Breakfast	10.553	280000	3,093,637
Department of Agriculture - School Lunch Program:			
Project No.: 7081-13 School Lunch	10.555	280000	8,789,002
Department of Agriculture - Child and Adult Care Food Program			
Project No.: 7053-13 Child and Adult Care Food Program	10.558	280000	196,887
Department of Agriculture - Summer Food Service Program			
Project No.: 7052-13 Summer Food Service Program	10.559	280000	160,126
<b>Total Child Nutrition Cluster</b>			<u>13,234,084</u>
Department of Agriculture - Fresh Fruit and Vegetable Program			
Project No.: 7050-13 Fresh Fruit and Vegetable Program	10.582	280000	<u>107,267</u>
<b>Total Department of Agriculture</b>			13,341,351
<b>U.S. Department of Commerce</b>			
Chesapeake Bay Studies, Education			
Project No.: 5981 Chesapeake Connections Program	11.457	NA06NMF45700118	<u>44,877</u>
<b>U.S. Department of Labor</b>			
Employment and Training Administration			
Project No.: 5016 WAGES Program	17.259	XXXX	<u>59,997</u>
<b>National Aeronautics and Space Administration</b>			
Project No.: 3283 NASA Earth and Space			
43.001	NNX09AH85A		<u>298,543</u>
<b>U.S. Department of Education</b>			
Administered Through Maryland Department of Labor and Licensing:			
Project No.: 517-3776 External Diploma	84.002A	POOP3400168	<u>90,346</u>
Administered Through Maryland State Department of Education:			
Title I, Part A of ESEA - Improving Basic Programs:			
Project No.: 1981 Title I	84.010A	114469	3,352
Project No.: 1986 Title 1	84.010A	134998	44,892
Project No.: 1987 Title 1	84.010A	135051	30,765
Project No.: 1988 Title 1	84.010A	135149	45,947
Project No.: 1989 Title 1	84.010A	135198	24,710
Project No.: 1981 Title I	84.010A	124524	629,808
Project No.: 1981 Title I	84.010A	134387-01	<u>9,907,826</u>
<b>Total Title I Grants to Local Educational Agencies</b>			10,687,300
Special Education Cluster:			
Project No.: 3475 Special Education, BRAC	84.027	124571	5,750
Project No.: 3480 Special Education, Community Service	84.027	134259-06	1,437
Project No.: 3481 Special Education	84.027	134259-02	2,922
Project No.: 3482 Special Education, SE Advisory Committee	84.027	124245-06	906
Project No.: 3483 Special Education	84.027	134259-08	179,365
Project No.: 3484 Special Education, CSPD	84.027	124245-08	3,215
Project No.: 3485 Special Education, Alt MSA	84.027	124569	1,074



**ANNE ARUNDEL COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2013**  
(Continued)

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/ Grant Name	CFDA Number	Grant Award Number	Federal Expenditures
<b>U.S. Department of Education (continued)</b>			
Administered Through Maryland State Department of Education (continued):			
Special Education Cluster (continued):			
Project No.: 3489 Special Education, Partners	84.027	134259-05	\$ 14,576
Project No.: 3490 Special Education, Transition	84.027	124245-07	903
Project No.: 3492 Special Education	84.027	135116-01	609,199
Project No.: 3494 Special Education	84.027	124572	14,312
Project No.: 3496 Special Education	84.027	134259-01	14,677,078
Project No.: 3497 Special Education, Transition (College & Career Ready)	84.027	134259-07	10,000
Project No.: 3516 Special Education, IFSP Extension	84.027	125397	100,865
Project No.: 3588 Special Education	84.027	135116-02	155,311
Project No.: 3596 Pass Through	84.027	125486-01	218,964
Project No.: 3597 Pass Through	84.027	125486-02	54,080
Project No.: 3592 Infants & Toddlers	84.027	124173-02	6,747
Project No.: 3592 Infants & Toddlers	84.027	134377-02	124,200
Project No.: 3517 Infants & Toddlers	84.027	134377-05	53,667
Project No.: 3595 Maryland Model for School Readiness	84.173	134518-03	17,579
Project No.: 3474 Maryland Model for School Readiness	84.173	124555-02	6,349
Project No.: 3477 Special Education, Preschool	84.173	135116-03	8,291
Project No.: 3495 Preschool	84.173	134259-03	407,223
Project No.: 3525 Special Education, Building Bridges	84.173	134747	22,205
Project No.: 3592 Infants & Toddlers	84.173	134377-03	<u>9,000</u>
Total Special Education Cluster			16,705,218
Vocational Education - Basic Grants to States:			
Project No.: 5080 Career and Technology	84.048	124713-01	36,653
Project No.: 5080 Career and Technology	84.048	134763-01	507,201
Project No.: 5083 5085 5089 Title II IC Program Improvement	84.048	134940-01	14,804
Project No.: 5083 5085 5089 Title II IC Program Improvement	84.048	134940-02	25,000
Project No.: 5085 Career and Technology	84.048	125138	<u>1,015</u>
Total Vocational Education - Basic Grants to States:			584,673
Special Education - Grants for Infants and Families with Disabilities:			
Project No.: 3519 Infants & Toddlers	84.181A	125667	2,036
Project No.: 3590 Infants & Toddlers	84.181A	124173-01	65,689
Project No.: 3590 Infants & Toddlers	84.181A	134377-01	<u>632,791</u>
Total Special Education - Grants for Infants and Families with Disabilities:			700,516
Safe and Supportive Schools:			
Project No.: 6785 MD Safe and Supportive Schools	84.184	XXXXXX	<u>17,077</u>
McKinney-Vento Homeless Assistance Act, Title VII, Subtitle B.			
Project No.: 2295 Homeless Education	84.196	134831	14,406
Project No.: 2296 Homeless Education	84.196	125199	<u>9,376</u>
Total McKinney-Vento Homeless Assistance Act, Title VII, Subtitle B			23,782
Twenty-First Century Community Learning Centers			
Project No.: 2287 Twenty-First Century Community Learning Centers	84.287	124751	<u>53,247</u>

**ANNE ARUNDEL COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2013**  
(Continued)

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/ Grant Name	CFDA Number	Grant Award Number	Federal Expenditures
<b>U.S. Department of Education</b> (continued)			
Administered Through Maryland State Department of Education (continued):			
Technology Literacy Challenge Fund Grants:			
Project No.: 3793 Maryland Student Technology Literacy Consortium	84.318	XXXXXX	\$ <u>1,762</u>
Funding to Ensure Limited English Proficient Children meet Standards:			
Project No.: 2182 Title III, Language Instruction for LEP	84.365A	125472	
Project No.: 2183 Title III, Language Instruction for LEP	84.365A	115180	53,340
Project No.: 2184 Title III, Language Instruction for LEP	84.365A	124282	352,078
Project No.: 2185 Title III, Language Instruction for LEP	84.365A	134207-01	<u>174,610</u>
Total Funding to Ensure Limited English Proficient Children meet Standards			580,028
Math and Science Partnership:			
Project No.: 3290 STEM, The Math and Science Partnership Grant	84.366	125663	<u>9,439</u>
Improving Teacher and Principal Quality:			
Project No.: 0393 Title II, Improving Teacher Quality	84.367	124199	671,792
Project No.: 0394 Title II, Improving Teacher Quality	84.367	134583-01	18,353
Project No.: 0394 Title II, Improving Teacher Quality	84.367	134583-02	<u>1,392,601</u>
Total Improving Teacher and Principal Quality			2,082,746
Race to the Top			
Project No.: 0630 Race to the Top	84.395	115741-02	727,126
Project No.: 0610 Race to the Top	84.395	115741-03	514,496
Project No.: 0670 Race to the Top	84.395	125645-01	174,256
Project No.: 0671 Race to the Top	84.395	125645-02	6,869
Project No.: 0672 Race to the Top	84.395	135298-01	1,093
Project No.: 0674 Race to the Top	84.395	135377	3,024
Project No.: 0680 Race to the Top	84.395	125700	200,000
Project No.: 0681 Race to the Top	84.395	135183	10,000
Project No.: 2186 Race to the Top	84.395	124755	5,945
Project No.: 2188 Race to the Top	84.395	125691	34,981
Project No.: 2189 Race to the Top	84.395	134923	<u>2,500</u>
Total Race to the Top			1,680,290
Education Jobs Fund			
Project No.: 0802 JOBS	84.410	115717	4,566,897
Project No.: 0802 JOBS	84.410	125592	169,228
Project No.: 0802 JOBS	84.410	134305-01	<u>10,243</u>
Total Education Jobs Fund			<u>4,746,368</u>
<b>Total U.S. Department of Education Administered Through the Maryland Agencies</b>			<u>37,962,792</u>

**ANNE ARUNDEL COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2013**  
(Continued)

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/ Grant Name	CFDA Number	Grant Award Number	Federal Expenditures
<b>U.S. Department of Education Direct Programs:</b>			
Impact Aid Unrestricted Federal Revenue, Title VIII of ESEA	84.041	XXXXXX	\$ <u>2,267,425</u>
Fund for the Improvement of Education: Project No.:3394 Making American History Master Teachers	84.215X	U215X080180	<u>224,731</u>
Fund for the Arts in Education Project No.: 3281 SAILSS: Supporting Arts Integrated Learning	84.351D	U351D080013	<u>117,034</u>
Total U.S. Department of Education Direct Programs			<u>2,609,190</u>
<b>Total U.S. Department of Education</b>			<u>40,571,982</u>
<b>U.S. Department of Health and Human Services</b>			
Administered Through Anne Arundel County Mental Health Agency Project No.: 2294 Suicide Prevention Grant	92.943	XXXXXX	<u>1,707</u>
Administered Through Maryland State Department of Health and Mental Hygiene Maternal and Child Health Services Block Grant to the States: Project No.: 3518 Infants and Toddlers Developmental Pediatrics	93.994	FH 518 ITP	15,000
Project No.: 3587 Special Education - Challenging Behaviors	93.994	XXXXXX	<u>21,665</u>
Total Maternal and Child Health Services Block Grant to the States:			36,665
<b>Total U.S. Department of Health and Human Services</b>			<u>38,372</u>
<b>Federal Management Agency through Maryland Emergency Agency</b>			
Administered Through Maryland State Department of Education Emergency Protective Measures Project No.: 0000 Hurricane Sandy Public Assistance	97.036	XXXXXX	<u>15,331</u>
<b>Department of Defense</b>			
Promoting Student Achievement at Schools Impacted by Military Force Structure Changes Project No.: 3285 STEM@Meade	12.556	HE1254-10-1-0001	<u>535,771</u>
Department of Defense Impact Aid	12.558	XXXXXX	<u>300,842</u>
Administered Through National Security Agency Science, Mathematics and Engineering Education Grant Project No.: 2790 MEPP	12.901	H98230-13-1-0152	<u>10,712</u>
<b>Total Department of Defense</b>			<u>847,325</u>
<b>TOTAL FEDERAL AWARDS</b>			<u>\$ 55,217,778</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, 2013**

**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, 2013.

**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:

<b>Revenues per the Statements of Revenue, Expenditures and Changes in Fund Balances (Net Assets)</b>	
Federal - Food Service	\$ 13,341,352
Federal - General Fund	44,630,179
Federal - Other funds	<u>90,346</u>
Total per Basic Financial Statements	58,061,877
 <b>Less:</b>	
FY13 Medicaid	(2,812,180)
Medicaid Adjustment	(15,879)
Grant 134962 (5087) state funded grant classified as federal in error	(16,042)
 <b>Plus:</b>	
Rounding	<u>2</u>
 <b>Total Expenditures per SEFA</b>	 <u><u>\$ 55,217,778</u></u>

This information is an integral part of the accompanying schedule.

**ANNE ARUNDEL COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2013**

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

**Federal Grant Awards**

Internal control over major programs:

- Material weakness(es) identified?      yes  X  no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?      yes  X  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  X  no

**Identification of major programs:**

<u><b>CFDA Number(s)</b></u>	<u><b>Name of Federal Program or Cluster</b></u>
84.027, 84.173	Special Education Cluster
84.395	Race to the Top - ARRA
84.410	Education Jobs Fund - ARRA
10.553, 10.555, 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs:  \$1,656,533

Auditee qualified as low-risk auditee?      yes  X  no

**ANNE ARUNDEL COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2013**

**Section II – Financial Statement Findings**

**2013-1 Finding: Other Post Retirement Benefits (OPEB) Liability Valuation – Material Weakness**

**Condition:** The employee census data provided by the Board to the actuary to perform their analysis of the OPEB liability contained inaccuracies.

**Criteria:** The Internal Control-Integrated Framework (COSO Report) requires adequate internal controls over financial reporting to ensure that transactions are properly recorded and accounted for to permit the preparation of reliable financial statements and demonstrate compliance with laws, regulations and other compliance requirements.

**Cause:** The Board has established controls and procedures to review census data provided to the actuaries to verify the accuracy of the report, but the controls failed on two separate occasions during the year as a result of policies not being adhered to.

**Effect:** The Other Post Employment Benefits liability was recorded incorrectly, resulting in a material audit adjustment.

**Recommendation:** We recommend that the Board ensure they are following policies and procedures to ensure that errors are detected prior to submission to the actuary.

**Management's Response:** The report writer data extraction tool that provided the incorrect census data was replaced with a coded report designed by Technology with Human Resources and Finance assistance. This report was evaluated and found to be accurate by staff and the actuarial consultant. This report will be used in future year's analysis and greater testing of the data will be performed by staff prior to submitting the census data to the consultant. For the July 1, 2014 valuation, the Human Resource system upgrade should be completed permitting improved reporting capability.

**2013-2 Finding: Self Insurance Fund Accounts Receivable – Material Weakness**

**Condition:** The Board did not record all accounts receivable and the related revenue in the self insurance fund at June 30, 2013.

**Criteria:** The Internal Control-Integrated Framework (COSO Report) requires adequate internal controls over financial reporting to ensure that transactions are properly recorded and accounted for to permit the preparation of reliable financial statements and demonstrate compliance with laws, regulations and other compliance requirements.

**Cause:** The Board has established controls and procedures to review transactions requiring accrual at year end; however those controls failed to identify this misstatement.

**Effect:** A material audit adjustment was required to correct the error.

**ANNE ARUNDEL COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2013**

**Recommendation:** 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:** Procedures have been updated to ensure that all federal revenue is properly recorded at year end.

**2013-3 Finding: Accounting for Capital Leases – Significant Deficiency**

**Condition:** The Board did not properly account for capital leases entered into during 2013. While the Board properly recorded the capital lease asset, they did not record the long-term debt associated with the capital lease transaction in accordance with GAAP.

**Criteria:** The Internal Control-Integrated Framework (COSO Report) requires adequate internal controls over financial reporting to ensure that transactions are properly recorded and accounted for to permit the preparation of reliable financial statements and demonstrate compliance with laws, regulations and other compliance requirements.

**Cause:** The Board has established controls and procedures to review leases at year end to determine proper classification, but the controls failed to identify the error during the year.

**Effect:** An adjustment was required to record the capital leases in accordance with GAAP.

**Recommendation:** We recommend that the Board revise the policies and procedures to ensure that management reviews all lease agreements during the year as they initiated and communicates all leases that meet the definition of a capital lease to the Board's finance office in a timely manner.

**Management's Response:** Due to changes in personnel, finance staff was not as well versed in accounting for leases. Staff is enrolling in professional development training specifically targeting the accounting for leases that will occur in November 2013.

**ANNE ARUNDEL COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2013**

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

None



**ANNE ARUNDEL COUNTY BOARD OF EDUCATION  
SCHEDULE OF PRIOR YEAR FINDINGS  
June 30, 2013**

**None**