

ANNE ARUNDEL COUNTY BOARD OF EDUCATION

REPORT ON SINGLE AUDIT

YEAR ENDED JUNE 30, 2017

**ANNE ARUNDEL COUNTY BOARD OF EDUCATION
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2017**

INDEPENDENT AUDITORS' REPORTS

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 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	3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	6
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	9
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	10



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, the general fund budgetary comparison 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, 2017, 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 28, 2017.

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.

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 Board'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2017-001 and 2017-002 that we consider 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, 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 findings identified in our audit are included in the accompanying Schedule of Findings and Responses. 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 28, 2017



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, 2017. 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, 2017.

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 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, each major fund, and the aggregate remaining fund information of the Board as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements. We issued our report thereon dated September 28, 2017, 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.

Members of the Board
of Education of Anne Arundel County

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
September 28, 2017

**ANNE ARUNDEL COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017**

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	\$ 1,667,288
Department of Agriculture - School Breakfast Program: Project No.: 7082-17 School Breakfast	10.553	None provided	N/A	5,116,009
Department of Agriculture - School Lunch Program: Project No.: 7081-17 School Lunch	10.555	None provided	N/A	10,854,260
Department of Agriculture - Summer Food Service Program Project No.: 7052-17 Summer Food Service Program	10.559	None provided	N/A	<u>279,970</u>
Total Child Nutrition Cluster				17,917,527
Department of Agriculture - Child and Adult Care Food Program Project No.: 7053-17 Child and Adult Care Food Program	10.558	None provided	N/A	<u>581,155</u>
Total U.S. Department of Agriculture				18,498,682
U.S. Department of Commerce				
Project No.: 5981 NOAA	11.457	---	N/A	<u>29,447</u>
Total U.S. Department of Commerce				29,447
U.S. Department of Education				
Administered Through Maryland Department of Labor and Licensing:				
Project No.: 517 External Diploma	84.002A	POOP7400128 & 277	N/A	43,860
Administered Through Maryland State Department of Education:				
Title I, Part A of ESEA - Improving Basic Programs:				
Project No.: 1986 Title I	84.010A	165588	N/A	5,708
Project No.: 1989 Title I	84.010A	171313	N/A	50,145
Project No.: 1990 Title I	84.010A	165286	N/A	41,815
Project No.: 1981 Title I	84.010A	165091	N/A	1,001,984
Project No.: 1981 Title I	84.010A	154351	N/A	67,152
Project No.: 1981 Title I	84.010A	170820	N/A	<u>11,632,534</u>
Total Title I Grants to Local Educational Agencies				12,799,338
Special Education Cluster:				
Project No.: 3475 Special Education, Private/Parochial	84.027	164687-01	N/A	81,077
Project No.: 3480 Special Education, Community Service	84.027	170213-03	N/A	421
Project No.: 3481 Special Education	84.027	164688-02	N/A	4,615
Project No.: 3482 Special Education, SE Advisory Committee	84.027	164688-03	N/A	2,160
Project No.: 3483 Special Education	84.027	170213-04	N/A	154,996
Project No.: 3484 Special Education, CSPD	84.027	164688-04	N/A	79,478
Project No.: 3486 Special Education	84.027	170651	N/A	165
Project No.: 3496 Pass Through	84.027	164688-01	N/A	442,006

See accompanying Notes are an integral part of this schedule.

**ANNE ARUNDEL COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017**

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	\$ 15,866
Project No.: 3496 Pass Through	84.027	170213-01	N/A	15,372,108
Project No.: 3497 Special Education	84.027	170213-05	N/A	600
Project No.: 3498 Special Education	84.027	164687-02	N/A	14
Project No.: 3516 Special Education, IFSP Extension	84.027	164376-01	N/A	70,970
Project No.: 3588 Special Education	84.027	170213-02	N/A	203,295
Project No.: 3592 Infants & Toddlers	84.027	170135-01	N/A	265,776
Project No.: 3477 Special Education, Preschool	84.173	170290-01	N/A	3,661
Project No.: 3495 Preschool	84.173	164686-01	N/A	59,951
Project No.: 3495 Preschool	84.173	170290-01	N/A	354,533
Project No.: 3499 Preschool	84.173	164685	N/A	6,005
Project No.: 3517 Special Education, IFSP Extension	84.173	170230-02	N/A	21,837
Project No.: 3592 Infants & Toddlers	84.173	170230-01	N/A	9,000
Project No.: 3598 Preschool	84.173	164686-03	N/A	16,373
Project No.: 3596 Special Education	84.173	170290-03	N/A	28,866
Total Special Education Cluster				17,193,773
Vocational Education - Basic Grants to States:				
Project No.: 5080 Career and Technology Perkins Voc Ed.	84.048	165042	N/A	8,678
Project No.: 5080 Career and Technology Perkins Voc Ed.	84.048	170518	N/A	606,463
Project No.: 5083 Career and Technology PLTW PD	84.048	164971-01	N/A	836
Project No.: 5083 Career and Technology PLTW PD	84.048	170709	N/A	20,458
Total Vocational Education - Basic Grants to States				636,435
Special Education - Grants for Infants and Families with Disabilities:				
Project No.: 3593 Infants & Toddlers	84.181A	164372-02	N/A	9,488
Project No.: 3590 Infants & Toddlers	84.181A	170258-01	N/A	713,150
Total Special Education - Grants for Infants and Families with Disabilities				722,638
McKinney-Vento Homeless Assistance Act, Title VII, Subtitle B.				
Project No.: 2295 Homeless Education	84.196	171132-01	N/A	13,626
Project No.: 2296 Homeless Education	84.196	165247	N/A	20,924
Total McKinney-Vento Homeless Assistance Act, Title VII, Subtitle B				34,550
Advanced Placement Program:				
Project No.: 1010 High School / High Technology	84.330	170936	N/A	8,918
Funding to Ensure Limited English Proficient Children meet Standards:				
Project No.: 2183 Title III, Language Instruction for LEP	84.365A	170662-01	N/A	230,363
Project No.: 2184 Title III, Language Instruction for LEP	84.365A	154422-01	N/A	129,722
Project No.: 2185 Title III, Language Instruction for LEP	84.365A	165305-01	N/A	428,856
Project No.: 2199 Title III, Language Instruction for LEP	84.365A	165305-02	N/A	4,053
Project No.: 2194 Title III, Language Instruction for LEP	84.365A	164258-02	N/A	63,931
Project No.: 2190 Title III, Language Instruction for LEP	84.365A	154422-02	N/A	211
Total Funding to Ensure Limited English Proficient Children Meet Standards				857,136

**ANNE ARUNDEL COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017**

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.: 0391 Title II, Improving Teacher Quality	84.367	171549	N/A	\$ 294
Project No.: 0392 Title II, Improving Teacher Quality	84.367	170964-01	N/A	859,158
Project No.: 0393 Title II, Improving Teacher Quality	84.367	154929	N/A	170,417
Project No.: 0394 Title II, Improving Teacher Quality	84.367	165309-01	N/A	693,009
Total Improving Teacher and Principal Quality				<u>1,722,878</u>
American Recovery and Reinvestment Act of 2009 - Preschool Development Grants				
Project No.: 1772 Judy Center	84.419	164640	N/A	42,143
Project No.: 1773 Judy Center	84.419	171112	N/A	123,520
Total American Recovery and Reinvestment Act of 2009 - Preschool Development Grants				<u>165,663</u>
Department of Health and Human Services				
Project No.: 2297 Sexual Harrassment and Assault Prevention	93.136	171138	N/A	1,714
Total U.S. Department of Education Administered Through the Maryland Agencies				34,186,903
U.S. Department of Education Direct Programs:				
Impact Aid				
Unrestricted Federal Revenue, Title VIII of ESEA	84.041	---	N/A	1,775,139
Total U.S. Department of Education Direct Programs				<u>1,775,139</u>
Total U.S. Department of Education				35,962,042
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	HE 1254-13-1-0001	N/A	181,474
Project No.: 3291 DoDEA Grant	12.556	HE 1254-15-1-0041	N/A	316,244
Project No.: 3599 Special Education STEM	12.557	HE 1254-14-1-0026	N/A	102,060
Total Promoting Student Achievement at Schools Impacted by Military Force Structure Changes				<u>599,778</u>
Department of Defense Impact Aid	12.558	---	N/A	352,253
Total U.S. Department of Defense				952,031
U.S. Department of Health and Human Services:				
YMCA of Central Maryland Inc.				
Project No.: 1795 Head Start	93.600	03CH010431-01-00	N/A	382,949
Total Federal Awards				<u>\$ 55,825,151</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, 2017**

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, 2017.

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	\$ 18,498,682
Federal - General Fund	39,795,055
Federal - Other funds	43,860
Total per Basic Financial Statements	58,337,597

Less:

FY17 Medicaid	(2,515,069)
---------------	-------------

Plus:

Medicaid Adjustment	2,623
Total Expenditures per SEFA	\$ 55,825,151

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, 2017**

Section II – Financial Statement Findings

Finding 2017-001:

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 and placed in service in prior years that that were not recorded in the 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 2017 financial statements to record the capital assets.

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

Management Response:

Anne Arundel County Public Schools (AACPS) acknowledges the issues related to monitoring of capital assets. However, AACPS would like to point out that the issues found by CLA are a result of the transition in procedures between the two years. Going forward, AACPS has established follow-up procedures and enhanced the system reports to ensure that capital items are recorded in a timely manner and if there is an oversight, it will be detected in a timely manner and follow-up action will be taken accordingly.

Finding 2017-002:

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 does not have proper procedures in place to follow up on findings noted on 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.

**ANNE ARUNDEL COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017**

Management Response:

In 2017, Anne Arundel County Public Schools (AACPS) took several steps to improve compliance by schools with Internal Audit recommendations. AACPS undertook the rewrite of the School Activity Manual to ensure that the procedures are clearly outlined and there is no ambiguity in process and procedures to be followed by the schools. The Manual is in the final stages of vetting by the school administrators and expected to be issued shortly. Furthermore, AACPS established procedures to monitor the implementation of the recommendations by Internal Audit. As the first step, a repository for pending recommendations was established by the Supervisor of Finance. In consultation with Internal Audit, schools were identified as repeat offenders and communication was sent to the schools by the Director of Financial Operations regarding compliance with Internal Audit findings. AACPS will continue to follow-up on internal-audit findings to ensure their timely implementation.

Section III – Findings and Questioned Costs for Federal Grant Awards

None

Section IV – Prior Year Findings

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

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

Finding 2016-002: Capital Asset Additions

See current year finding 2017-001

Finding 2016-003: School Activity Internal Audit Report

See current year finding 2017-002