

# Single Audit

## Section



No matter what season, there is always an event going on in Carroll County. Pictured above are just a few events that happen in Carroll County. Pictured at the top left is the Hampstead Vol. Fire Dept carnival. Top right is a hay ride at the Fall Harvest Days at the Carroll County Farm Museum. Bottom left is a vendor from the Maryland Wine Festival held at the Carroll County Farm Museum. Bottom right is a picture from the Annual Corn Roast held at The Homestead at Union Mills.

Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance with Other Matters Based on an  
Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The County Commissioners of Carroll County  
Westminster, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Carroll County, Maryland, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Carroll County, Maryland's basic financial statements, and have issued our report thereon dated December 22, 2016. The County's financial statements include the operations of the Carroll County Community College, the Carroll County Board of Education, the Industrial Development Authority of Carroll County, and the Carroll County Public Library for the year ended June 30, 2016. Our audit described below, did not include operations of these entities as they are engaged under separate audits in accordance with *Government Auditing Standards*.

#### Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses as item 2016-001 and 2016-002.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carroll County, Maryland's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

## Carroll County, Maryland's Response to Findings

Carroll County, Maryland's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Carroll County, Maryland's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Cohn Reznick LLP".

Baltimore, Maryland  
December 22, 2016

Independent Auditors' Report on Compliance For Each Major Program  
and on Internal Control Over Compliance Required By the Uniform Guidance

The County Commissioners of Carroll County  
Westminster, Maryland

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Carroll County, Maryland's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Carroll County, Maryland's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

The County's financial statements include the operations of the Carroll County Community College, the Carroll County Board of Education, the Industrial Development Authority of Carroll County, and the Carroll County Public Library for the year ended June 30, 2016, component units which may have received federal awards, and which are not included in the schedule of expenditures of federal awards for the year ended June 30, 2016. Our audit described below did not include operations of these entities as they are engaged under separate audits. The results of these audits are separately reported in accordance with Uniform Guidance, if required.

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 Carroll County, Maryland's compliance.

## Opinion on Each Major Federal Program

In our opinion, Carroll County, Maryland complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

## Report on Internal Control over Compliance

Management of Carroll County, Maryland is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Carroll County, Maryland's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Carroll County, Maryland'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 results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Baltimore, Maryland  
December 22, 2016

**The County Commissioners of Carroll County**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through to Subrecipients</u>	<u>Expenditures</u>
<b>U.S. Department of Housing and Urban Development</b>			
Direct Housing Section 8 Grants			
Section 8 Housing Choice Voucher Cluster (14.871)			
FSS FED FY16	14.871	\$ -	\$ 71,133
HUD Housing FY16	14.871	-	4,954,929
HUD Housing Admin FY16	14.871	-	412,609
HUD Housing FY17	14.871	-	8,384
HUD Housing FY15	14.871	-	(2,423)
HUD Housing FY11	14.871	-	2,423
Housing Counseling FY05	14.871	-	216
Total Section 8 Housing Choice Voucher Cluster (14.871)		<u>-</u>	<u>5,447,271</u>
Continuum of Care FFY13	14.267	-	2,418
Continuum of Care FFY16	14.267	-	2,349
<b>Total U.S. Department of HUD Section 8 Grants</b>		<u>-</u>	<u><b>5,452,038</b></u>
<b>U.S. Department of Housing &amp; Community Development</b>			
Passed Through Maryland Department of Community Development			
Emergency Solutions FY15	14.231	43,139	43,139
ARC-CDBG FY17	14.218	452,253	452,253
<b>Total U.S. Department of HCD MD Community Development</b>		<u><b>495,392</b></u>	<u><b>495,392</b></u>
<b>U.S. Department of Labor Passed Through Howard County</b>			
Manpower Resources Employment and Training Assistance			
WIA Cluster (17.259 / 17.278)			
BERC-Title I Adult FY15	17.278	-	139,951
BERC-Title I Disc Worker FY15	17.278	-	520,569
BERC-Youth FY15	17.259	-	65,881
BERC-Admin FY15	17.278	-	37,717
BERC-Title I Adult FY16	17.278	-	3,848
BERC-Title I Disc Worker FY16	17.278	-	2,252
BERC-Youth FY16	17.259	-	508,221
BERC-Admin FY16	17.278	-	139
BERC-WEX FY15	17.259	-	442
Economically Disadvantaged Youth FY10	17.259	-	1,026
Total WIA Cluster (17.259 / 17.278)		<u>-</u>	<u>1,280,046</u>
<b>Total U.S. Department of Labor</b>		<u>-</u>	<u><b>1,280,046</b></u>

**The County Commissioners of Carroll County**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through to Subrecipients</u>	<u>Expenditures</u>
<b>U.S. Department of Health and Human Services</b>			
Passed Through Maryland Office on Aging			
Aging Cluster (93.044 / 93.045)			
Title III, Part C FY15	93.045	-	118,479
Home Delivered Meals FY15	93.045	-	33,877
Home Delivered Meals FY16	93.045	-	66,099
Title III, Part B FY15	93.044	-	101,579
Title III, Part B FY16	93.044	-	173,752
Title III, Part C FY16	93.045	-	176,028
<b>Total Aging Cluster (93.044 / 93.045)</b>		<b>-</b>	<b>669,814</b>
Title III, Part D FY15	93.043	-	3,758
Title III, Part E FY15	93.052	-	22,094
Title III, Part D FY16	93.043	-	9,000
Title III, Part E FY16	93.052	-	42,796
Ombudsman FY15	93.042	-	92
Ombudsman FY16	93.042	-	10,360
SMP-Exp FFY16	93.779	-	2,504
SMP FY16	93.779	-	1,300
SHIP/SMP FY15	93.779	-	3,754
SHP FY16	93.779	-	1,027
MIPPA FY15	93.779	-	5,363
Access to Recovery FY13	93.959	-	15,686
		<b>-</b>	<b>787,548</b>
<b>Total U.S. Department of HHS Through MD Office on Aging</b>			
<b>U.S. Department of Health and Human Services</b>			
Passed Through Maryland State Department of Human Resources			
Circuit Ct Child Support FY15	93.563	-	4,330
St Atty Child Support FY15	93.563	-	124,818
Sheriff Child Support FY15	93.563	-	29,899
Circuit Ct Child Support FY16	93.563	-	16,644
State's Atty Child Support FY16	93.563	-	335,948
Sheriff Child Support FY16	93.563	-	78,697
Safe & Stable FY16	93.556	125,824	125,824
Family Preservation FY16	93.558	356,250	356,250
Sheriff CCAIC Training Enhance FY16	93.643	-	1,978
Drug Ct FY15	16.738	-	7,794
Sheriff CCAIC Training Enhance FY15	93.643	-	2,235
		<b>482,074</b>	<b>1,084,417</b>
<b>Total U.S. Department of HHS Through MD St Department of HR</b>			

**The County Commissioners of Carroll County**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through to Subrecipients</u>	<u>Expenditures</u>
<b>Veterans Administration</b>			
Passed Through Maryland Office On Aging			
Veterans Directed Home FY15	64.022	-	910
Veterans Directed Home FY16	64.022	-	14,232
		<hr/>	<hr/>
<b>Total U.S. Veterans Administration Passed Through MD Office On Aging</b>		-	<b>15,142</b>
<b>U.S. Department of Health and Human Services</b>			
Passed Through Maryland Department of Health & Mental Hygiene			
MAP FY15	93.779	-	24,108
MFP FY15	93.779	-	3,047
MAP FY16	93.779	-	79,779
MA Waiver FY16	93.779	-	239,260
MFP FY16	93.779	-	10,038
		<hr/>	<hr/>
<b>Total U.S. Department of HHS Through MD Department of HMH</b>		-	<b>356,232</b>
<b>U.S. Department of Transportation</b>			
Passed Through Maryland State Highway Administration			
Sheriff Highway Safety FY15	20.600	-	13,296
Section 5311 FY16	20.509	-	100,119
Section 5307 FY16	20.509	-	261,524
Section 5311 Capital FY16	20.507	-	212,285
Older Driver FY16	20.614	-	582
UPWP FY16	20.205	-	33,160
UPWP FY15	20.205	-	22,580
Clean & Paint Structural Steel Bridges	20.205	-	292,247
		<hr/>	<hr/>
<b>Total U.S. Department of Transportation</b>		-	<b>935,793</b>
<b>U.S. Department of Homeland Security</b>			
Passed Through Maryland Emergency Management Administration			
Emergency Planners	97.008	-	121,917
Est Emergency Operations Center	97.008	-	3,920
Est Sustainable HLS ecerc prog	97.008	-	983
Respond to all Hazrds	97.008	-	21,523
UASI-Law Enforcement	97.008	-	32,612
UASI-Hazmat	97.008	-	25,001
UASI-MCCV	97.008	-	10,093
UASI-Incident Mgmt Software	97.008	-	20
Emer Notification System Softww	97.008	-	4,218
Mass Care Sheltering Supplies	97.008	-	9,841
UASI-Function'I Need Comm Supp	97.008	-	558
UASI FFY15 Emg Planners	97.008	-	20,076
SHSP RESP FFY15	97.008	-	7,827
UASI LAW FFY15	97.008	-	24,356
UASI HAZM FFY15	97.008	-	10,707
UASI-MCCV FFY15	97.008	-	14,558



**The County Commissioners of Carroll County**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through to Subrecipients</u>	<u>Expenditures</u>
UASI ENS FFY15	97.008	-	40,720
Adult Drug Court FY12	16.738	-	21,560
Drug Court FY15	16.740	-	7,794
Drug Disposal FY16	93.243	-	162
Immigration & Custom Enforcement (ICE)	16.590	-	3,487
<b>Total U.S. Department of Homeland Security</b>		<u>-</u>	<u>381,933</u>
<b>U.S. Department of Agriculture Aging Commodities</b>			
USDA	10.568	-	36,740
<b>Total U.S. Department of Agriculture</b>		<u>-</u>	<u>36,740</u>
<b>U.S. Department of Energy</b>			
Passed Through State Department of Human Resources			
Weatherization EmPower	81.042	-	12,982
Weatherization FY15	81.042	-	438
Weatherization Admin FY15	81.042	-	(1,128)
<b>Total U.S. Department of Energy</b>		<u>-</u>	<u>12,292</u>
<b>U.S. Department of Justice Passed Through</b>			
The Governor's Office of Crime Control and Prevention			
Adventure Diversion Prog FY16	16.523	86,749	86,749
Natl Network Children Advocacy Ctr FY16	16.582	-	8,186
VAWA FY15 State's Atty	16.588	-	13,668
VAWA FY16 State's Atty	16.588	-	41,590
VAWA FY16 Sheriff	16.588	-	15,000
<b>Total of U.S. Department of Justice NNC</b>		<u>86,749</u>	<u>165,193</u>
<b>Federal Aviation Administration</b>			
Airport Improvement Program:			
AP Master Plan Study Phase 1	20.106	-	13,500
Conduct Environmental Assessment Study	20.106	-	152,160
<b>Total Federal Aviation Administration</b>		<u>-</u>	<u>165,660</u>
<b>Total Federal Programs</b>		<u><u>\$ 1,064,215</u></u>	<u><u>\$ 11,168,426</u></u>

See Notes to Schedule of Expenditures of Federal Awards.

**The County Commissioners of Carroll County**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2016**

**Note 1 - Basis of presentation**

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal award activity of the Carroll County, Maryland under programs of the federal government for the year ended June 30, 2016. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87 for State, Local and Indian Tribal Governments or cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the schedule presents only a selected portion of the operations of the Carroll County, Maryland, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Carroll County, Maryland.

**Note 2 - Summary of significant accounting policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Grant revenues are recorded for financial reporting purpose when expenditures are made in accordance with requirements of respective grants. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**Note 3 - Indirect cost rate**

Carroll County, Maryland has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**The County Commissioners of Carroll County**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2016**

**I. Summary of Independent Auditor's Results**

**Financial Statements**

Type of Auditor's report issued:

Material weakness(es) identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Significant deficiency (ies) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> 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 Section.516(a) of the Uniform Guidance	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
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**Identification of Major Programs**

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>	<u>Fiscal Year 06/30/2016 Expenditures</u>
Housing Choice Voucher (HCVP) Cluster	14.871	\$ 5,447,271
Auditee qualified as a low-risk auditee?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

**The County Commissioners of Carroll County**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2016**

**II. Financial Statement Findings**

**Finding No. 2016 - 001**

**Material Weakness**

**Condition/Context**

The June 30, 2016, financial statements of the County reflect prior period adjustments pertaining to improper recording of revenue in the below- listed governmental funds and governmental activities. The effect of the adjustments is summarized below.

Grants Fund	Increase fund balance by \$1,770,272
Capital Fund	Increase fund balance by \$655,477 and an unrelated offsetting decrease of fund balance by \$303,003
General Fund	Increase of fund balance of \$244,767

The above adjustments to governmental funds of \$2,367,513 also increase net position of the governmental activities by that amount.

**Criteria**

COSO/Internal Control Framework defines control activities as "policies and procedures that help to ensure management's directives are carried out. "Management review controls are defined as, "the activities of a person, different than the preparer, through analyzing and performing oversight activities performed, and is an integral part of any internal control structure." COSO/Internal Control Framework state that control activities must be in place for there to be adequate internal control procedures over financial reporting. Furthermore, these control activities should be performed timely to ensure financial transactions are recorded in the correct reporting period in compliance with Generally Accepted Accounting Principles ("GAAP") and the standards set by the Governmental Accounting Standards Board ("GASB").

**Cause**

The errors were due to amounts being improperly recorded as unearned revenue based on an improper understanding of the sources and uses of grant funds caused by an inefficient decentralization of grant administration. The employees responsible for understanding the grant terms are segregated from those responsible for proposing and approving revenue recognition related entries.

**Effect**

A prior period restatement was recorded to correct the error.

**The County Commissioners of Carroll County**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2016**

**Recommendations**

We recommend that the County ensure the individuals responsible for proposing and approving journal entries have a working understanding of the terms of the agreements that impact revenue recognition. Additionally, we recommend the County's accounting function review reconciliations of each grant at least quarterly to ensure all sources and uses recorded to the grant within the financial system are consistent with external reporting to grantor agencies which is performed by various departments of the County. In order to fulfill these recommendations, the County should consider identifying one position whose roles include understanding the terms of the grant agreements, review quarterly reconciliations of each grant against the financial system and being responsible for proposing yearend revenue recognition entries.

**Views of the Responsible Officials and Corrective Action Plan**

The County has identified staff to work with the grants manager to review grant agreements and understand the terms of these agreements, reconcile the grants quarterly against the financial system, and make sure revenue is recognized properly at year-end.

**Finding No. 2016 - 002**

**Material Weakness**

**Condition/Context**

There were prior period adjustments related to improper fund classification. The effect of the adjustments to the following governmental funds and governmental activities is summarized below.

Agricultural Transfer Fund	Decrease fund balance by \$481,181 for activities that did not qualify as a special revenue fund.
Impact Fee Fund	Decrease fund balance by \$467,479 for activities that did not qualify as a special revenue fund.
Capital Fund	Increase fund balance by \$481,181 related to the agricultural transfer tax noted above. The \$467,479 related to the impact fees should have been reported as unearned revenue resulting in no charge to fund balance.
Agency Fund	Decrease in Assets and Liabilities of \$396,876 for balances that did not qualify as an agency fund. This is now properly accounted for within the general fund.

## The County Commissioners of Carroll County

### Schedule of Findings and Questioned Costs Year Ended June 30, 2016

#### Criteria

COSO/Internal Control Framework defines control activities as "policies and procedures that help to ensure management's directives are carried out." Management review controls are defined as, "the activities of a person, different than the preparer, through analyzing and performing oversight activities performed, and is an integral part of any internal control structure." COSO/Internal Control Framework state that control activities must be in place for there to be adequate internal control procedures over financial reporting. Furthermore, these control activities should be performed timely to ensure financial transactions are recorded in the correct reporting period in compliance with Generally Accepted Accounting Principles ("GAAP") and the standards set by the Governmental Accounting Standards Board ("GASB").

#### Cause

The errors were due to initial improper fund classification. The impact fee and agricultural transfer tax funds did not meet the definition of a special revenue fund since their intended purpose was to fund certain capital projects. The Carroll County drug task force, Sheriff's Department and law enforcement activities agency funds did not meet the definition of an agency fund as the County was not holding funds in a purely custodial nature for a third party. The County did not perform and document an annual review of fund classifications to ensure each fund met their respective definitions per GASB 54.

#### Effect

A prior period restatement was recorded to correct the error.

#### Recommendations

We recommend that when the County establishes a new fund that a review is performed and documented to ensure that the fund meets the definition as prescribed by the GASB for appropriate fund presentation and classification. We also recommend the County review and document their review of the fund classifications annually to ensure each fund continues to meet the definitions of the fund type.

#### Views of the Responsible Officials and Corrective Action Plan

The County agrees with the finding and has recorded a prior period adjustment to restate the fund classifications. The County has established a plan that GASB Standards will be applied to all new funds created in the future and all funds will be reviewed annually to ensure compliance.

### III. Major Federal Award Findings and Questioned Costs

None

**The County Commissioners of Carroll County**

**Schedule of Prior Year Audit Findings  
Year Ended June 30, 2016**

**Finding No. 2015-001**

**Condition**

A prior period restatement was necessary to correctly record assets placed into service in prior years. The effect of the adjustment was an increase in Capital Assets to Governmental Activities of \$3,343,980 and to Business type Activities of \$7,697,795 with a corresponding increase to Net Position, Net Invested in Capital Assets, for the respective amounts.

**Criteria**

COSO/Internal Control Framework defines control activities as "policies and procedures that help to ensure management's directives are carried out." Management review controls are defined as, "the activities of a person, different than the preparer, through analyzing and performing oversight activities performed, and is an integral part of any internal control structure." COSO/Internal Control Framework state that control activities must be in place for there to be adequate internal control procedures over financial reporting. Furthermore, these control activities should be performed timely to ensure financial transactions are recorded in the correct reporting period in compliance with Generally Accepted Accounting Principles ("GAAP") and the standards set by the Governmental Accounting Standards Board ("GASB").

**Status**

Management has satisfactorily addressed all findings noted

**Finding No. 2015-002**

**Condition**

For 1 of 1 subrecipients selected for audit testing, at the time the subaward was made, the County's Department of Citizen Services did not identify the CFDA title and number, award number, and name of Federal awarding agency.

**Criteria**

According to OMB Circular A-133, at the time of the subaward, the pass through entity is responsible for identifying to the subrecipient the Federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements.

**Status**

Management has satisfactorily addressed all findings noted.

**Finding No. 2015-003**

**Condition**

A sample of 40 files tested for failed inspection purposes found 1 file which documented the County's Bureau of Housing did not take prompt and vigorous action to enforce family obligations for family caused defects. The unit in question did not pass inspection until 27 days after the required corrective period.

**Criteria**

24 CFR 982.158(d) and 982.404 state that for units under HAP contract that fail to meet HQS, the PHA must require the owner to correct any life threatening HQS deficiencies within 24 hours after the inspection and all other HQS deficiencies within 30 calendar days or within a specified PHA-approved extension. If the owner does not correct the cited HQS

**The County Commissioners of Carroll County**

**Schedule of Prior Year Audit Findings  
Year Ended June 30, 2016**

deficiencies within the specified correction period, the PHA must stop (abate) HAP beginning no later than the first of the month following the specified correction period or must terminate the HAP contract. The owner is not responsible for a breach of HQS as a result of the family's failure to pay for utilities for which the family is responsible under the lease or for tenant damage. For family-caused defects, if the family does not correct the cited HQS deficiencies within the specified correction period, the PHA must take prompt and vigorous action to enforce the family obligations.

**Status**

Management has satisfactorily addressed all findings noted.