

**THE BOARD OF EDUCATION
OF WICOMICO COUNTY**

COMPLIANCE REPORT

JUNE 30, 2011

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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*

The Board of Education of Wicomico County
Salisbury, Maryland

We have audited the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Board of Education of Wicomico County, as of and for the year ended June 30, 2011, which collectively comprise The Board of Education of Wicomico County's basic financial statements and have issued our report thereon dated September 29, 2011. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Board of Education of Wicomico County's internal control over financial reporting as a basis for designing our auditing procedures 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 of Education of Wicomico County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The Board of Education of Wicomico County's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant

deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Board of Education of Wicomico County's financial statements are free of 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*.

We noted certain other matters that we reported to management of The Board of Education of Wicomico County in a separate letter dated September 29, 2011.

This report is intended solely for the information and use of the board of directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Salisbury, Maryland
September 29, 2011



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

The Board of Education of Wicomico County
Salisbury, Maryland

Compliance

We have audited The Board of Education of Wicomico County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The Board of Education of Wicomico County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of The Board of Education of Wicomico County's management. Our responsibility is to express an opinion on The Board of Education of Wicomico County's compliance based on our audit.

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 identified in the accompanying schedule of findings and questioned costs occurred. An audit includes examining, on a test basis, evidence about The Board of Education of Wicomico County'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. Our audit does not provide a legal determination of The Board of Education of Wicomico County's compliance with those requirements.

In our opinion, The Board of Education of Wicomico County complied, in all material respects, with the 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, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those compliance requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 11-01.

Internal Control Over Compliance

Management of The Board of Education of Wicomico County is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered The Board of Education of Wicomico County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 of Education of Wicomico County'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.


Our consideration of the 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 that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Board's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Board's responses and, accordingly, we express no opinion on the responses.

Schedule of Expenditures of Federal Awards

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 of Education of Wicomico County, as of and for the year ended June 30, 2011, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated September 29, 2011, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise The Board of Education of Wicomico County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Salisbury, Maryland
September 29, 2011

THE BOARD OF EDUCATION OF WICOMICO COUNTY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011**

	<u>GRANT NUMBER</u>	<u>FEDERAL CATALOGUE NUMBER</u>	<u>EXPENDITURES</u>
INDIRECT GRANTS			
DEPARTMENT OF AGRICULTURE			
Indirect Grants Passed Through The Maryland State Department of Education:			
National School Breakfast Program	None	10.553	\$ 1,049,745
National School Lunch Program	None	10.555	2,868,639
After School Snacks	None	10.555	49,357
USDA Commodities	None	10.555	329,316
Sub-Total			<u>3,247,312</u>
Summer Food Service Program	None	10.559	<u>84,043</u>
Team Nutrition Program	901718-01	10.574	<u>22,737</u>
Fresh Fruit and Vegetable Program	None	10.582	<u>93,317</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>\$ 4,497,154</u>
DEPARTMENT OF LABOR			
Indirect Grants Passed Through The Tri-County Council of the Lower Eastern Shore:			
Workforce Investment Act - Youth	P00B1400020-B	17.250	\$ <u>55,040</u>
DEPARTMENT OF EDUCATION			
Indirect Grants Passed Through The Maryland State Department of Education:			
ECIA Title I	104810-01	84.010	402,425
ECIA Title I	114448-01	84.010	3,541,362
ECIA Title I	116080-01	84.010	1,865
Sub-Total			<u>3,945,652</u>
Education of The Handicapped - Part B	104312-02	84.027	282
Education of The Handicapped - Part B	104396-02	84.027	6,200
Education of The Handicapped - Part B	104396-04	84.027	1,217
Education of The Handicapped - Part B	104396-05	84.027	6,000
Education of The Handicapped - Part B	104755-01	84.027	2,068
Education of The Handicapped - Part B	114205-02	84.027	15,764
Education of The Handicapped - Part B	114637-01	84.027	17,657
Education of The Handicapped - Part B	114638-01	84.027	18,499
Education of The Handicapped - Part B	114639-01	84.027	24,029
Education of The Handicapped - Part B	114640-01	84.027	2,803,539
Education of The Handicapped - Part B	114640-05	84.027	334
Education of The Handicapped - Part B	114640-06	84.027	1,294
Education of The Handicapped - Part B	114640-07	84.027	9,747
Education of The Handicapped - Part B	114640-08	84.027	960
Sub-Total			<u>2,907,590</u>

THE BOARD OF EDUCATION OF WICOMICO COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

	<u>GRANT NUMBER</u>	<u>FEDERAL CATALOGUE NUMBER</u>	<u>EXPENDITURES</u>
Vocational Education - Title IIC- Program	114720-01	84.048	<u>220,526</u>
Education of The Handicapped - Part B	104312-03	84.173	6,947
Education of The Handicapped - Part B	104396-07	84.173	143
Education of The Handicapped - Part B	104833-02	84.173	7,658
Education of The Handicapped - Part B	114205-03	84.173	7,000
Education of The Handicapped - Part B	114592-02	84.173	11,283
Education of The Handicapped - Part B	114640-03	84.173	15,998
Education of The Handicapped - Part B	114640-04	84.173	968
Sub-Total			<u>49,997</u>
Education of The Handicapped - Part C	114205-01	84.181	<u>87,268</u>
Alcohol & Drug - Part II	900431-02	84.186	6,453
Alcohol & Drug - Part II	104303-01	84.186	30,321
Sub-Total			<u>36,774</u>
McKinney-Vento: Educating Homeless Children & Youth Program	105664-01	84.196	9,974
McKinney-Vento: Educating Homeless Children & Youth Program	115317-01	84.196	25,363
			<u>35,337</u>
Maryland Seamless Transition Collaborative	114481-01	84.235	<u>13,602</u>
Title II Tech Prep Education	114720-02	84.243	<u>24,624</u>
21st Century Community Centers	104486-01	84.287	49,513
21st Century Community Centers	105901-01	84.287	100,716
21st Century Community Centers	114556-01	84.287	367,020
21st Century Community Centers	114769-01	84.287	354,315
Sub-Total			<u>871,564</u>
Enhancing Education Through Technology	105001-01	84.318	13,490
Enhancing Education Through Technology	105025-01	84.318	25,556
Sub-Total			<u>39,046</u>
Gear Up II-Focus on Mathematics	104764-01	84.334	69,928
Gear Up II-Focus on Mathematics	114443-01	84.334	8,108
Gear Up II-Focus on Mathematics	114699-01	84.334	135,833
Sub-Total			<u>213,869</u>
English Language Acquisition	104634-01	84.365	55,849
English Language Acquisition	104634-02	84.365	12,651
English Language Acquisition	115194-01	84.365	3,444
Sub-Total			<u>71,944</u>

THE BOARD OF EDUCATION OF WICOMICO COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

	<u>GRANT NUMBER</u>	<u>FEDERAL CATALOGUE NUMBER</u>	<u>EXPENDITURES</u>
Math & Science Partnership Grant	901368-02	84.366	98,712
Math & Science Partnership Grant	105453-02	84.366	1,242
Math & Science Partnership Grant	105861-01	84.366	41,295
Math & Science Partnership Grant	114360-01	84.366	171,827
Sub-Total			<u>313,076</u>
Title II Improving Teacher Quality	114288-01	84.367	<u>579,546</u>
ARRA - McKinney-Vento: Educating Homeless Children & Youth Program	105665-01	84.387	<u>16,890</u>
ARRA - ECIA Title I	104678-01	84.389	<u>1,207,690</u>
ARRA - Education of The Handicapped - Part B	104498-01	84.391	2,058,262
ARRA - Education of The Handicapped - Part B	104498-03	84.391	13,760
			<u>2,072,022</u>
ARRA - Education of The Handicapped - Part B Preschool	104498-02	84.392	68,256
ARRA - Education of The Handicapped - Part B Preschool	104498-04	84.392	442
			<u>68,698</u>
ARRA - Education of The Handicapped - Part C	105820-01	84.393	111,159
ARRA - Education of The Handicapped - Part C	105820-02	84.393	114,141
			<u>225,300</u>
ARRA - Stabilization Fund-Education State Grants	104352-03	84.394	826,407
ARRA - Stabilization Fund-Education State Grants	104352-04	84.394	58,357
ARRA - Stabilization Fund-Education State Grants	104352-05	84.394	334,621
ARRA - Stabilization Fund-Education State Grants	114088-03	84.394	1,853,766
ARRA - Stabilization Fund-Education State Grants	114088-05	84.394	388,022
			<u>3,461,173</u>
ARRA - Race to the Top (RTTT)	115759-02	84.395	60,751
ARRA - Race to the Top (RTTT)	115759-03	84.395	85,814
ARRA - Race to the Top (RTTT)	115759-04	84.395	5,623
			<u>152,188</u>
Sexual Harassment/Assault Prevention	115834-01	93.991	<u>11,584</u>
Serve America	105705-01	94.004	150
Serve America	114390-01	94.004	9,679
			<u>9,829</u>
Indirect Grants Passed Through Special Olympics:			
Project Unify	None	84.385	<u>4,500</u>
Indirect Grants Passed Through Anne Arundel County:			
ARRA - Enhancing Education Thru Technology	None	84.386	<u>54,075</u>

THE BOARD OF EDUCATION OF WICOMICO COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

	<u>GRANT NUMBER</u>	<u>FEDERAL CATALOGUE NUMBER</u>	<u>EXPENDITURES</u>
Indirect Grants Passed Through Montgomery County:			
Enhancing Education Thru Technology	None	84.318	<u>9,277</u>
TOTAL DEPARTMENT OF EDUCATION			<u>\$ 16,703,641</u>
GOVERNOR'S OFFICE OF CRIME CONTROL & PREVENTION			
Excel Academy	BJAG-2009-1028	16.738	<u>47,441</u>
TOTAL GOVERNOR'S OFFICE OF CRIME CONTROL & PREVENTION			<u>\$ 47,441</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 21,303,276</u>

THE BOARD OF EDUCATION OF WICOMICO COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Note 1. Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Board of Education of Wicomico County and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Reconciliation of Federal Awards

Restricted Federal awards/expenditures per statement of revenues, expenditures and changes in fund balances - governmental funds		\$ 17,211,605
Restricted Federal awards/expenses per statement of revenues, expenses and changes in fund net assets - proprietary fund		4,474,417
Less revenue/expenditures included in federal awards but not included on the schedule of expenditures of federal awards		
JR ROTC	(33,394)	
Adult Ed Program	(705)	
Medicaid Payments	<u>(348,647)</u>	
		<u>(382,746)</u>
Total Federal Financial Assistance		<u>\$ 21,303,276</u>

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

A. Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the financial statements of The Board of Education of Wicomico County.
2. No significant deficiencies in internal control relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of The Board of Education of Wicomico County were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for The Board of Education of Wicomico County expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for the Board of Education of Wicomico County that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs include:

Title I cluster – CFDA #84.010 and #84.389

Special Education cluster – CFDA #84.027, 84.173, 84.391, and 84.392

State Fiscal Stabilization Fund cluster – CFDA #84.394 and #84.397

Race to the Top cluster – CFDA #84.395

Education Technology – CFDA #84.318 and #84.386

8. The threshold for distinguishing Type A and B programs was \$639,908.
9. The Board of Education of Wicomico County did not qualify as a low-risk auditee.

B. Findings - Financial Statement Audit

None

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

(Continued)

C. Findings and Questioned Costs- Major Federal Award Programs Audit

11-01 Title I cluster – CFDA #84.010 and #84.389

Condition: Several special education teachers working in self-contained classrooms within a schoolwide program are considered teachers of record but do not meet the highly qualified requirements.

Criteria: To operate a schoolwide program, a local educational agency (the Board) must ensure that all teachers of core academic subjects are highly qualified. Special education teachers, who are teachers of record in self-contained classrooms, must be certified in special education and elementary education.

Cause: The availability of highly qualified special education teachers is often limited creating the need to fill positions with applicants that initially do not meet the requirements, but are willing to work towards becoming highly qualified.

Effect: Funding may be disallowed.

Recommendation: Design and implement procedures that ensure the hiring and retention of highly qualified teachers and paraprofessionals.

Management Response: The Board has implemented a plan to assist these teachers in becoming highly qualified and will continue to monitor these teachers to ensure highly qualified status is obtained.

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

Year Ended June 30, 2011

10-01 Title I cluster – CFDA #84.010 and #84.389

Child Nutrition Discretionary Grants cluster – CFDA #10.579

Condition: Annual Financial Reports (AFRs) were not filed in a timely manner following the grant ending date.

Recommendation: Implement procedures to ensure that grants are closed out and all paperwork is filed within the required period.

Current Status: The Board implemented a “workflow” model that allows the Grants Accountant to accurately track grant end dates and file final AFRs within the required period.

10-02 Title I cluster – CFDA #84.010 and #84.389

Condition: The allocation of funds to public schools was incorrectly calculated and the resulting per pupil allocation was not in rank order by poverty level.

Recommendation: Implement procedures to ensure that the appropriate data is obtained, understood, and utilized in poverty calculations. If the requirements of the funding allocation calculations are not understood, further research should be performed or assistance should be obtained.

Current Status: The allocation for FY 2011 was correctly calculated using one-half of pre-kindergarten students from low income families.

10-03 Title I cluster – CFDA #84.010 and #84.389

Condition: Several special education teachers working in self-contained classrooms within a schoolwide program are considered teachers of record but do not meet the highly qualified requirements.

Recommendation: Design and implement procedures that ensure the hiring and retention of highly qualified teachers and paraprofessionals.

Current Status: Refer to item *11-01*.

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

Year Ended June 30, 2011

(Continued)

10-04 National School Lunch cluster - CFDA #10.553 and #10.555

Condition: Twenty-two meal benefit applications (MBAs) were selected for verification; however, the required sample size as calculated using the alternative sample method was twenty-four.

Recommendation: Management should review the sample size calculation for accuracy with respect to the selection method used to ensure the required number of applications is selected.

Current Status: The software company modified the program and the correct sample size was calculated and used for the FY 2011 verification.