

**THE BOARD OF EDUCATION
OF WICOMICO COUNTY**

COMPLIANCE REPORT

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*

The Board of Education of Wicomico County
Salisbury, Maryland

We have audited, 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, 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, 2013, and the related notes to the financial statements, which collectively comprise The Board of Education of Wicomico County's basic financial statements, and have issued our report thereon dated September 30, 2013.

Internal Control Over Financial Reporting

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

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 30, 2013.

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. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "JHM Group LLC". The signature is written in a cursive, flowing style.

Salisbury, Maryland
September 30, 2013



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

The Board of Education of Wicomico County
Salisbury, Maryland

Report on Compliance for Each Major Federal Program

We have audited The Board of Education of Wicomico County's 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 of Education of Wicomico County'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of The Board of Education of Wicomico County's compliance.

Opinion on Each Major Federal Program

In our opinion, The Board of Education of Wicomico County, complied, in all material respects, with the 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 of Education of Wicomico County 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 of Education of Wicomico County's internal control over compliance with the types of requirements that could have a direct and material effect on a 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 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. *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 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 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.

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 of Education of Wicomico County as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise The Board of Education of Wicomico County's basic financial statements. We issued our report thereon dated September 30, 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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



Salisbury, Maryland
September 30, 2013

THE BOARD OF EDUCATION OF WICOMICO COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

	<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 Education:			
National School Breakfast Program	None	10.553	\$ 1,192,051
National School Lunch Program	None	10.555	3,209,834
After School Snacks	None	10.555	2,506
USDA Commodities	None	10.555	324,849
Sub-Total			<u>3,537,189</u>
At Risk Supper Program	None	10.558	124,087
Summer Food Service Program	None	10.559	101,857
Fresh Fruit and Vegetable Program	None	10.582	119,249
TOTAL DEPARTMENT OF AGRICULTURE			<u>\$ 5,074,433</u>
DEPARTMENT OF EDUCATION			
Indirect Grants Passed Through The Maryland State Department Education:			
ECIA Title I	124545-01	84.010	\$ 1,062,261
ECIA Title I	125532-01	84.010	44,541
ECIA Title I	134408-01	84.010	3,579,162
ECIA Title I	135005-03	84.010	52,836
ECIA Title I	135053-02	84.010	79,891
ECIA Title I	135197-02	84.010	27,604
ECIA Title I	135200-02	84.010	278
Sub-Total			<u>4,846,573</u>
Education of The Handicapped - Part B	124264-02	84.027	313
Education of The Handicapped - Part B	124264-06	84.027	2,500
Education of The Handicapped - Part B	124264-07	84.027	6,000
Education of The Handicapped - Part B	124610-01	84.027	16,462
Education of The Handicapped - Part B	125312-01	84.027	22,419
Education of The Handicapped - Part B	134279-01	84.027	2,831,617
Education of The Handicapped - Part B	134279-02	84.027	48,471
Education of The Handicapped - Part B	134279-05	84.027	15,000
Education of The Handicapped - Part B	134279-08	84.027	75,623
Education of The Handicapped - Part B	134279-07	84.027	10,000
Education of The Handicapped - Part B	134359-02	84.027	17,753
Education of The Handicapped - Part B	134359-05	84.027	57,210
Sub-Total			<u>3,103,368</u>
Vocational Education - Title IIC- Program	134781-01	84.048	195,681
DORS Summer Youth Employee Program	125737-01	84.126	10,349

THE BOARD OF EDUCATION OF WICOMICO COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

	<u>GRANT NUMBER</u>	<u>FEDERAL CATALOGUE NUMBER</u>	<u>EXPENDITURES</u>
Education of The Handicapped - Part B	124264-03	84.173	5,367
Education of The Handicapped - Part B	124558-02	84.173	5,670
Education of The Handicapped - Part B	134279-03	84.173	50,803
Education of The Handicapped - Part B	134359-03	84.173	109
Education of The Handicapped - Part B	134538-03	84.173	10,622
Sub-Total			<u>72,571</u>
 Education of The Handicapped - Part C	 134359-01	 84.181	 <u>103,047</u>
McKinney-Vento: Educating Homeless Children & Youth Program	125523-01	84.196	20,309
McKinney-Vento: Educating Homeless Children & Youth Program	125680-01	84.196	19,880
McKinney-Vento: Educating Homeless Children & Youth Program	135131-01	84.196	35,542
Sub-Total			<u>75,731</u>
 Maryland Seamless Transition Collaborative	 114481-01	 84.235	 13,858
Maryland Seamless Transition Collaborative	134798-01	84.235	37,849
Sub-Total			<u>51,707</u>
 21st Century Community Centers	 124618-01	 84.287	 35,080
21st Century Community Centers	124746-01	84.287	35,435
21st Century Community Centers	124752-01	84.287	85,940
21st Century Community Centers	134887-01	84.287	308,275
21st Century Community Centers	134909-01	84.287	232,494
Sub-Total			<u>697,224</u>
 Expanding Advanced Placement - Operation Access	 125062-01	 84.330	 73,038
Expanding Advanced Placement - Operation Access	134906-01	84.330	21,701
Sub-Total			<u>94,739</u>
 English Language Acquisition	 115194-01	 84.365	 10,490
English Language Acquisition	124302-02	84.365	66,296
English Language Acquisition	125476-01	84.365	3,119
English Language Acquisition	134227-01	84.365	67,169
Sub-Total			<u>147,074</u>
 Math & Science Partnership Grant	 114360-01	 84.366	 <u>45,123</u>
 Title II Improving Teacher Quality	 124220-01	 84.367	 128,425
Title II Improving Teacher Quality	134604-01	84.367	6,097
Title II Improving Teacher Quality	134604-02	84.367	135,361
Sub-Total			<u>269,883</u>

THE BOARD OF EDUCATION OF WICOMICO COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

	<u>GRANT NUMBER</u>	<u>FEDERAL CATALOGUE NUMBER</u>	<u>EXPENDITURES</u>
ARRA - Race to the Top (RTTT)	115759-01	84.395	199,355
ARRA - Race to the Top (RTTT)	115759-02	84.395	4,755
ARRA - Race to the Top (RTTT)	115759-03	84.395	226,047
ARRA - Race to the Top (RTTT)	115759-04	84.395	412,877
ARRA - Race to the Top (RTTT)	125253-01	84.395	4,376
ARRA - Race to the Top (RTTT)	125386-01	84.395	7,500
ARRA - Race to the Top (RTTT)	125632-01	84.395	57,496
ARRA - Race to the Top (RTTT)	125632-02	84.395	1,500
ARRA - Race to the Top (RTTT)	125718-01	84.395	217,941
ARRA - Race to the Top (RTTT)	135148-01	84.395	2,499
ARRA - Race to the Top (RTTT)	135319-01	84.395	1,974
ARRA - Race to the Top (RTTT)	135319-02	84.395	1,500
ARRA - Race to the Top (RTTT)	Pending	84.395	1,500
Sub-Total			<u>1,139,320</u>
ARRA - Education Jobs Fund	115737-01	84.410	3,117,974
ARRA - Education Jobs Fund	125613-01	84.410	61,111
ARRA - Education Jobs Fund	134326-01	84.410	3,699
Sub-Total			<u>3,182,784</u>
ARRA - Race to the Top (RTTT) Early Learning Challenge	135034-02	84.412	60,351
ARRA - Race to the Top (RTTT) Early Learning Challenge	135179-01	84.412	8,678
Sub-Total			<u>69,029</u>
Local Early Childhood Advisory Council	135086-01	93.708	<u>3,000</u>
Indirect Grants Passed Through Montgomery County: Enhancing Education Thru Technology	None	84.318	<u>2,490</u>
TOTAL DEPARTMENT OF EDUCATION			<u><u>\$ 14,109,693</u></u>
GOVERNOR'S OFFICE OF CRIME CONTROL & PREVENTION			
Disproportionate Minority Contact	JJAC2010	16.540	\$ 10,740
Disproportionate Minority Contact	JJAC2011	16.540	<u>55,513</u>
TOTAL GOVERNOR'S OFFICE OF CRIME CONTROL & PREVENTION			<u><u>\$ 66,253</u></u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u><u>\$ 19,250,379</u></u>

THE BOARD OF EDUCATION OF WICOMICO COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

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		\$ 15,467,667
Restricted Federal awards/expenses per statement of revenues, expenses and changes in fund net position - proprietary fund		5,074,433
Less revenue/expenditures included in federal awards but not included on the schedule of expenditures of federal awards		
JR ROTC	(60,957)	
Medicaid Payments	<u>(1,230,764)</u>	
		<u>(1,291,721)</u>
Total Federal Financial Assistance		<u>\$ 19,250,379</u>

THE BOARD OF EDUCATION OF WICOMICO COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

A. Summary of Auditors' Results

1. The auditors' report expresses an unmodified 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 for Each Major Program and on Internal Control over Compliance Required by 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 unmodified 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:
 - 21ST Century Community Learning Centers – CFDA #84.287
 - Race to the Top – CFDA #84.395
 - Education Jobs – CFDA #84.410
8. The threshold for distinguishing Type A and B programs was \$577,511.
9. The Board of Education of Wicomico County qualified 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, 2013
(Continued)

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

NONE

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

Year Ended June 30, 2013

*12-01 National School Lunch and Breakfast Program cluster –
CFDA #10.553, 10.555, 10.556, and 10.559*

Condition: In a sample of 15 school meal benefit applications tested, one application was incorrectly changed to free eligibility rather than reduced-price eligibility.

Recommendation: Design and implement procedures that ensure the listed household size within the Horizon OneSource software is in agreement with the school meal benefit application.

Current Status: The Board has implemented review procedures to ensure the listed household size within the Horizon OneSource software is in agreement with the school meal benefit application.