

**THE BOARD OF EDUCATION
OF WICOMICO COUNTY**

COMPLIANCE REPORT

JUNE 30, 2016

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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, 2016, 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, 2016.

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, 2016.

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.



Salisbury, Maryland
September 30, 2016

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 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, 2016. 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 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 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* 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 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, 2016.

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 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 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 the Uniform Guidance

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, 2016, 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, 2016, 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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Salisbury, Maryland
September 30, 2016

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2016

	<u>GRANT NUMBER</u>	<u>FEDERAL CATALOGUE NUMBER</u>	<u>FEDERAL EXPENDITURES</u>	<u>EXPENDITURES TO SUBRECIPIENTS</u>
INDIRECT GRANTS				
DEPARTMENT OF AGRICULTURE				
Indirect Grants Passed Through The Maryland State Department of Education:				
National School Breakfast Program	None	10.553	\$ 1,558,797	\$ -
National School Lunch Program	None	10.555	3,640,779	-
National School Lunch Program (noncash assistance)	None	10.555	414,131	-
Sub-Total			<u>4,054,910</u>	<u>-</u>
Summer Food Service Program	None	10.559	105,200	-
Total Child Nutrition Cluster		10.553/555/559	<u>5,718,907</u>	<u>-</u>
At Risk Supper Program	None	10.558	164,995	-
Child Nutrition Discretionary Grant	154558-01	10.579	22,887	-
Fresh Fruit and Vegetable Program	None	10.582	140,481	-
TOTAL DEPARTMENT OF AGRICULTURE			\$ 6,047,270	\$ -
DEPARTMENT OF EDUCATION				
Indirect Grants Passed Through The Maryland State Department of Education:				
ECIA Title I	154372-01	84.010	\$ 150,751	\$ -
ECIA Title I	154995-01	84.010	21,396	-
ECIA Title I	155293-01	84.010	93,847	-
ECIA Title I	155677-01	84.010	30,000	-
ECIA Title I	165094-01	84.010	4,575,527	-
ECIA Title I	165158-01	84.010	63,973	-
Sub-Total			<u>4,935,494</u>	<u>-</u>
Education of The Handicapped - Part B	145292-01	84.027	5,406	-
Education of The Handicapped - Part B	154204-02	84.027	40,698	-
Education of The Handicapped - Part B	154204-05	84.027	646	-
Education of The Handicapped - Part B	155442-01	84.027	5,341	-
Education of The Handicapped - Part B	155526-01	84.027	6,042	-
Education of The Handicapped - Part B	164529-01	84.027	2,734,522	-
Education of The Handicapped - Part B	164529-02	84.027	43,377	-
Education of The Handicapped - Part B	164529-04	84.027	106,390	-
Education of The Handicapped - Part B	164530-01	84.027	32,866	-
Education of The Handicapped - Part B	164530-02	84.027	9,628	-
Education of The Handicapped - Part B	164530-03	84.027	600	-
Education of The Handicapped - Part B	164722-01	84.027	43,863	-
Education of The Handicapped - Part B	164724-01	84.027	17,313	-
Sub-Total			<u>3,046,692</u>	<u>-</u>
Education of The Handicapped - Part B	154204-04	84.173	1	-
Education of The Handicapped - Part B	164529-03	84.173	1,516	-
Education of The Handicapped - Part B	164531-01	84.173	53,597	-
Education of The Handicapped - Part B	164531-02	84.173	1,270	-
Education of The Handicapped - Part B	164723-01	84.173	7,000	-
Education of The Handicapped - Part B	164723-02	84.173	1,803	-
Education of The Handicapped - Part B	164983-01	84.173	381	-
Sub-Total			<u>65,568</u>	<u>-</u>
Total Special Education Cluster (IDEA)		84.027/173	<u>3,112,260</u>	<u>-</u>
Vocational Education - Title IIC- Program	154862-01	84.048	2,691	-
Vocational Education - Title IIC- Program	165014-01	84.048	7,472	-
Vocational Education - Title IIC- Program	165062-01	84.048	197,684	-
Sub-Total			<u>207,847</u>	<u>-</u>
MD Seamless Transition Collaboration	164346-01	84.126	19,616	-
MD Seamless Transition Collaboration	165670-01	84.126	14,241	-
Sub-Total			<u>33,857</u>	<u>-</u>

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

	<u>GRANT NUMBER</u>	<u>FEDERAL CATALOGUE NUMBER</u>	<u>FEDERAL EXPENDITURES</u>	<u>EXPENDITURES TO SUBRECIPIENTS</u>
Education of The Handicapped - Part C	164721-01	84.181	\$ 92,227	\$ -
McKinney-Vento: Educating Homeless Children & Youth Program	155375-01	84.196	31,178	-
McKinney-Vento: Educating Homeless Children & Youth Program	165252-01	84.196	46,658	-
Sub-Total			<u>77,836</u>	<u>-</u>
21st Century Community Centers	155044-01	84.287	88,656	-
21st Century Community Centers	155411-01	84.287	76,704	-
21st Century Community Centers	165200-01	84.287	284,299	-
21st Century Community Centers	165202-01	84.287	260,399	-
21st Century Community Centers	165359-01	84.287	214,311	-
Sub-Total			<u>924,369</u>	<u>-</u>
Gear-Up	155300-01	84.334	142,389	-
Gear-Up	155300-01	84.334	83,824	-
Sub-Total			<u>226,213</u>	<u>-</u>
English Language Acquisition	154442-01	84.365	4,239	-
English Language Acquisition	164265-01	84.365	940	-
English Language Acquisition	164309-01	84.365	66,267	-
Sub-Total			<u>71,446</u>	<u>-</u>
Title II Eastern Shore Math Consortium	155285-01	84.366	125,077	-
Title II Eastern Shore Math Consortium	165477-01	84.366	142,349	-
Sub-Total			<u>267,426</u>	<u>-</u>
Title II Improving Teacher Quality	154950-01	84.367	148,758	-
Title II Improving Teacher Quality	164757-01	84.367	286	-
Title II Improving Teacher Quality	165269-01	84.367	311,690	-
Sub-Total			<u>460,734</u>	<u>-</u>
ARRA - Race to the Top (RTTT)	155627-01	84.395	10,560	-
ARRA - Race to the Top (RTTT)	164195-01	84.395	110,625	-
ARRA - Race to the Top (RTTT)	164247-01	84.395	1,920	-
Sub-Total			<u>123,105</u>	<u>-</u>
ARRA - Race to the Top (RTTT) Early Learning Challenge	145111-01	84.412	8,853	-
ARRA - Race to the Top (RTTT) Early Learning Challenge	155442-03	84.412	873	-
ARRA - Race to the Top (RTTT) Early Learning Challenge	154451-01	84.412	7,409	-
ARRA - Race to the Top (RTTT) Early Learning Challenge	154451-02	84.412	56,925	-
ARRA - Race to the Top (RTTT) Preschool Development	164798-01	84.412	96,943	-
Sub-Total			<u>171,003</u>	<u>-</u>
Preschool Development	164929-01	84.419	116,884	-
Preschool Development	164930-01	84.419	115,009	-
Sub-Total			<u>231,893</u>	<u>-</u>
TOTAL DEPARTMENT OF EDUCATION			\$ 10,935,710	\$ -
NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY (NIST)				
National Institute of Standards and Technology Summer Institute	70NANB15	11.620	\$ 4,000	\$ -
TOTAL NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY (NIST)			\$ 4,000	\$ -
GOVERNOR'S OFFICE OF CRIME CONTROL & PREVENTION				
Disproportionate Minority Contact	JJAC2013	16.540	\$ 3,127	\$ -
TOTAL GOVERNOR'S OFFICE OF CRIME CONTROL & PREVENTION			\$ 3,127	\$ -
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Comprehensive School Physical Activity Program	M00B6400301	93.991	\$ 7,298	\$ -
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 7,298	\$ -
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 16,997,405	\$ -

THE BOARD OF EDUCATION OF WICOMICO 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 includes the federal award activity of the Board of Education of Wicomico County, under programs of the federal government for the year ended June 30, 2016 in accordance with the 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). 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. 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. The Board of Education of Wicomico County has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

Note 3. Reconciliation of Federal Awards

Restricted Federal awards/expenditures per statement of revenues, expenditures and changes in fund balances - governmental funds	\$ 12,887,634
Restricted Federal awards/expenses per statement of revenues, expenses and changes in fund net position - proprietary fund	6,024,381
Less revenue/expenditures included in federal awards but not included on the schedule of expenditures of federal awards	
JR ROTC	(35,186)
Medicaid Payments	(1,878,574)
Grant Number 165062-01 - Unliquidated Purchase Order	<u>(850)</u>
Total Federal Financial Assistance	<u>\$ 16,997,405</u>

THE BOARD OF EDUCATION OF WICOMICO COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

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 the Uniform Guidance.
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 the Uniform Guidance are reported in this schedule.
7. The programs tested as major programs include:
 - Special Education (IDEA) cluster – CFDA #84.027 & 84.173
 - 21st Century Community Learning Centers – CFDA #84.287
8. The threshold for distinguishing Type A and B programs was \$750,000.
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, 2016
(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, 2016

NONE