

FREDERICK COUNTY, MARYLAND

**Single Audit Together with
Reports of Independent Public Accountants**

For the Year Ended June 30, 2011



SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

JUNE 30, 2011

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of County Commissioners
Frederick County, Maryland

We have audited 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 Frederick County, Maryland (the County), as of June 30, 2011, and for the year then ended, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Frederick County, Maryland, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general and agricultural preservation funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated December 9, 2011, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, required supplemental schedules of funding progress and schedules of contributions from the employer for the Frederick County Employees Retirement Plan and Frederick County Retiree Health Benefit Plan, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by the 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. The introductory, statistical, combining, individual fund statements and supplementary schedules are presented for purposes of additional analysis and are 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 combining individual fund statements and supplementary schedules have 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 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 combining individual fund statements and supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

Hunt Valley, Maryland
December 9, 2011

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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS 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***

To the Board of County Commissioners
Frederick County, Maryland

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Frederick County, Maryland (the County), as of and for the year ended June 30, 2011, and have issued our report thereon dated December 9, 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

Management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 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.

Our consideration of the 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.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

This report is intended solely for the information and use of management, the County Commissioners, others within the entity, Federal awarding agencies and, if applicable, pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

SB & Company, LLC

Hunt Valley, Maryland
December 9, 2011



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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS 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

To the Board of County Commissioners
Frederick County, Maryland

Compliance

We have audited Frederick County, Maryland's (the County) compliance with the types of compliance requirements described in OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major Federal programs for the year ended June 30, 2011. The County's major Federal programs are identified in the summary of independent public accountants' 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 County's management. Our responsibility is to express an opinion on the 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. 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 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 County's compliance with those requirements.

In our opinion, the 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, 2011.



Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the 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 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a 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 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 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. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2011-1. 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.

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

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

Hunt Valley, Maryland
February 14, 2012

SB & Company, LLC

FREDERICK COUNTY, MARYLAND

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Cluster Total</u>
U.S. Department of Agriculture			
Pass-through Maryland Department of Education			
Child and Adult Care Food Program (CACFP)	10.558	\$ 122,454	
Pass-through Maryland Department of Human Resources			
Emergency Food Assistance - Temporary Food Assistance	10.568	<u>5,150</u>	
Total U.S. Department of Agriculture		<u>127,604</u>	
U.S. Department of Commerce			
Pass-through Maryland Emergency Management Agency			
Public Safety Interoperable Communications Grant	11.555	<u>812,771</u>	
U.S. Department of Housing and Urban Development			
Pass-through Maryland Department of Housing and Community Development			
Community Development Block Grants	14.228	13,064	
Emergency Shelter Program	14.231	30,705	
Home Investment Partnerships Program - Special Loan Program/Star	14.239	476,922	
Homeless Prevention & Rapid Rehousing Program (HPRP) - ARRA	14.257	102,467	
Lower Income Housing Assistance Program - Mod-Rehab Program	14.856	122,429	
Housing Voucher Cluster			
Section 8 Housing Choice Vouchers	14.871	5,343,901	
Family Unification Program (FUP)	14.880	325,357	
Total Housing Voucher Cluster			5,669,258
Total U.S. Department of Housing and Urban Development		<u>6,414,845</u>	
U.S. Department of the Interior - National Park Service			
Pass-through Maryland Historical Trust			
Certified Local Government	15.904	<u>745</u>	
U.S. Department of Justice			
Alien Assistance Program	16.606	121,269	
Pass-through Maryland Department of Human Resources			
Crime Victim Assistance	16.575	26,452	
Pass-through Governor's Office of Crime Control and Prevention			
Crime Victim Assistance	16.575	30,494	
Edward Byrne Memorial Justice Cluster			
Edward Byrne Memorial Justice Assistance Grant	16.738	82,114	
Edward Byrne Memorial Justice Assistance Grant - ARRA	16.803	68,772	
Total Edward Byrne Memorial Justice Cluster			150,886
Total U.S. Department of Justice		<u>329,101</u>	

FREDERICK COUNTY, MARYLAND

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Cluster Total</u>
U.S. Department of Labor			
Pass-through Department of Labor, Licensing and Regulation			
Trade Adjustment Assistance	17.245	3,333	
WIA Cluster			
WIA Adult Program	17.258	99,775	
WIA Adult Program - ARRA	17.258	12,885	
WIA Youth Activities	17.259	147,329	
WIA Youth Activities - ARRA	17.259	79,061	
WIA Dislocated Workers	17.260	391,034	
WIA Dislocated Workers - ARRA	17.260	365,660	
Total WIA Cluster			1,095,744
WIA Dislocated Workers	17.278	488	
Total U.S. Department of Labor		<u>1,099,565</u>	
U.S. Department of Transportation			
Pass-through Maryland Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction - Highway Capital Projects - ARRA	20.205	1,144,254	
Highway Planning and Construction - Bridge Projects	20.205	4,926	
Total Highway Planning and Construction Cluster			1,149,180
Federal Transit - Formula Grants Cluster			
Federal Transit - Formula Grants - Mass Transit/Capital Outlay	20.507	1,867,989	
Federal Transit - Formula Grants - Mass Transit/Capital Outlay - ARRA	20.507	57,954	
Total Federal Transit - Formula Grants Cluster			1,925,943
Formula Grants for Other than Urbanized Areas - Rural Public Transportation	20.509	244,528	
State Planning & Research Program - ARRA	20.515	383,738	
Total U.S. Department of Transportation		<u>3,703,389</u>	
National Foundation of the Arts and Humanities			
Pass-through Maryland Department of Education			
Staff Development/Language Collection	45.310	4,199	
U.S. Environmental Protection Agency			
Climate Showcase Communities Grant	66.041	5,476	
Pass-through Maryland Department of the Environment			
Capitalization Grants for Clean Water State Revolving Funds Cluster			
Capitalization Grants for Clean Water State Revolving Funds -			
Ballenger McKinney WWTP ENR Upgrade & Expansion Loan - ARRA	66.458	14,505,408	
Capitalization Grants for Clean Water State Revolving Funds -			
Ballenger McKinney WWTP ENR Upgrade & Expansion Loan	66.458	934,723	
Total Capitalization Grants for Clean Water State Revolving Funds Cluster			15,440,131
Lower Monocacy	66.460	83,299	
Total U.S. Environmental Protection Agency		<u>15,528,906</u>	

The accompanying notes are an integral part of this schedule.

FREDERICK COUNTY, MARYLAND

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Cluster Total
U.S. Department of Energy			
Energy Efficiency Conservation Block Grant - ARRA	81.128	<u>219,124</u>	
U.S. Department of Education			
Pass-through Maryland Department of Education			
Special Education Cluster			
Special Education - Grants to States - Individuals Disabilities Education Act (IDEA part B)	84.027	42,286	
Special Education - Preschool Grants - Individuals Disabilities Education Act (IDEA part B 619)	84.173	7,000	
Total Special Education Cluster			49,286
Rehabilitation Services - DORS Year Round - ARRA	84.126	53,161	
Special Education - Grants for Infants and Families with Disabilities Cluster			
Special Education - Grants for Infants and Families with Disabilities - Individuals Disabilities Education Act (IDEA part C)	84.181	142,149	
Special Education - Grants for Infants and Families with Disabilities - Individuals Disabilities Education Act (IDEA part C) - ARRA	84.393	451,275	
Total Special Education - Grants for Infants and Families with Disabilities Cluster			593,424
Parental Information Resource Center (PIRC)	84.310	<u>3,980</u>	
Total U.S. Department of Education		<u>699,851</u>	
U.S. Department of Health and Human Services			
Head Start Cluster			
Head Start	93.600	1,991,958	
Head Start - ARRA	93.708	120,602	
Total Head Start Cluster			2,112,560
Pass-through Maryland Office of Aging			
Ombudsman Services for Older Individuals	93.042	26,760	
Special Programs for the Aging - Aging Title IIID	93.043	6,790	
Special Programs for the Aging Cluster			
Special Programs for the Aging - Aging Title IIIB	93.044	103,493	
Special Programs for the Aging - Aging Title IIIC	93.045	228,673	
Nutrition Services Incentive Program	93.053	35,214	
Aging Home-Delivered Nutrition Services for States-Recovery - ARRA	93.705	3,927	
Aging Congregate Nutrition Services for States-Recovery - ARRA	93.707	6,326	
Total Special Programs for the Aging Cluster			377,633
Special Programs for the Aging Title IV and Title II Discretionary Projects	93.048	33,700	
National Family Caregiver Support	93.052	63,525	
Affordable Care Act- Medicare Improvements for Patients & Providers	93.518	2,927	
Medical Assistance Program - Medicaid Waiver Program	93.778	67,744	
Senior Health Insurance Program	93.779	23,562	
Pass-through Maryland Department of Education			
Temporary Assistance for Needy Families - Healthy Families	93.558	310,740	
Pass-through Maryland Family Network			
Family Support Center	93.590	47,116	

The accompanying notes are an integral part of this schedule.

FREDERICK COUNTY, MARYLAND

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Cluster Total
U.S. Department of Health and Human Services (continued)			
Pass-through Maryland Department of Health & Mental Hygiene			
Smoke Alarms for Everyone	93.136	9,316	
Pass-through Maryland Department of Human Resource			
Promoting Safe and Stable Families	93.556	178,912	
Temporary Assistance for Needy Families - Family Preservation/Youth Summer Jobs	93.558	454,431	
Child Support Enforcement Cluster			
Child Support Enforcement	93.563	796,130	
Child Support Enforcement - ARRA	93.563	291,979	
Total Child Support Enforcement Cluster			1,088,109
Total U.S. Department of Health and Human Services		<u>4,803,825</u>	
U.S. Department of Homeland Security			
Assistance to Firefighters Grant	97.044	13,440	
Pass-through Maryland Emergency Management Agency			
Hazard Mitigation Grant	97.039	1,935	
Emergency Management Performance	97.042	990	
Citizen Corps	97.053	732,209	
Homeland Security Grant Program	97.067	198,194	
Total U.S. Department of Homeland Security		<u>946,768</u>	
Total Expenditures of Federal Awards		<u><u>\$ 34,690,693</u></u>	

The accompanying notes are an integral part of this schedule.

FREDERICK COUNTY, MARYLAND

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All Federal grant operations of Frederick County, Maryland (the County) are included in the scope of Office of Management and Budget (OMB) Circular A-133 audit (the Single Audit). The Single Audit was performed in accordance with the provisions of the OMB Circular A-133, Compliance Supplement (the Compliance Supplement). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the grant programs noted below. These programs represent all Federal award programs with fiscal year 2011 cash or non-cash expenditures activities in order to meet the 25% coverage requirement. We have evaluated the Federal financial assistance programs of the Town for the year ended June 30, 2011, and have selected those major programs for testing. Our actual coverage was 57%. The major programs tested are listed below.

<u>Major Program</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Child and Adult Care Food Program (CACFP)	10.558	\$ 122,454
WIA Cluster - ARRA	17.258/259/260	1,095,744
Highway Planning and Construction Cluster - ARRA	20.205	1,149,180
Capitalization Grants for Clean Water State Revolving Funds - Ballenger McKinney WWTP ENR Upgrade & Expansion Loan - ARRA	66.458	15,440,131
Individuals Disabilities Education Act (IDEA part C) - ARRA	84.181/393	593,424
Promoting Safe and Stable Families	93.556	178,912
Child Support Enforcement - ARRA	93.563	1,088,109
		<u>\$ 19,667,954</u>

2. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards has been prepared on the accrual basis of accounting.

FREDERICK COUNTY, MARYLAND

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011**

Section I - Summary of Independent Public Accountant's Results

Financial Statements

Type of Independent Public Accountant's report issued	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies:	None noted
Noncompliance material to the financial statements noted?	No

Federal Awards

Type of Independent Public Accountant's report issued on compliance for major programs:	Unqualified
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies:	Yes
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	Yes

Identification of Major Programs:

<u>Major Program</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Child and Adult Care Food Program (CACFP)	10.558	\$ 122,454
WIA Cluster - ARRA	17.258/259/260	1,095,744
Highway Planning and Construction Cluster - ARRA	20.205	1,149,180
Capitalization Grants for Clean Water State Revolving Funds - Ballenger McKinney WWTP ENR Upgrade & Expansion Loan - ARRA	66.458	15,440,131
Individuals Disabilities Education Act (IDEA part C) - ARRA	84.181/393	593,424
Promoting Safe and Stable Families	93.556	178,912
Child Support Enforcement - ARRA	93.563	1,088,109
		<u>\$ 19,667,954</u>

Threshold for distinguishing between Type A and B programs	\$ 1,040,721
Did the County qualify as a low risk auditee?	Yes

FREDERICK COUNTY, MARYLAND

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011**

Section II - Financial Statement Findings

None noted.

Section III - Federal Award Findings

See Finding 2011-1.

FREDERICK COUNTY, MARYLAND

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011**

Finding Reference: 2011-1
Federal Agency: Department of Transportation – Capitalization Grants for Clean Water State Revolving Funds – Ballenger McKinney WWTP ENR Upgrade & Expansion Loan – ARRA CFDA# 66.458
Compliance Requirement(s): Davis-Bacon Act
Type of Finding: Significant Deficiency

Criteria:

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

The characteristics of internal control are presented in the context of the components of internal control discussed in *Internal Control-Integrated Framework* (COSO Report), published by the Committee of Sponsoring Organizations of the Treadway Commission. The COSO Report provides a framework for organizations to design, implement, and evaluate control that will facilitate compliance with the requirements of Federal laws, regulations, and program compliance requirements.

Condition:

During our testing of the Ballenger McKinney WWTP ENR Upgrade & Expansion Loan program, we noted certified payrolls were not reviewed for compliance with the Davis-Bacon Act.

Cause:

The County did not follow its established procedures of reviewing the certified payroll.

Effect:

Lack of internal control over review of certified payrolls for contractors that were receiving Federal grant funds. Payments to contractors may be inaccurate or not in accordance with Federal regulations as the certified payrolls were not reviewed.

Questioned Costs:

Unknown

Recommendation:

We recommend that the County implement a procedure that ensures all certified payrolls are reviewed prior to making payment to contractors.

FREDERICK COUNTY, MARYLAND

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011**

Management's Response and Corrective Action Plan:

Checks of the certified payrolls will be made monthly by our resident engineer (RE) prior to him submitting the contractor's payment request to the Owner for processing. Random selection by worker category will be made based upon type of work primarily being performed during the applicable pay period. MDE is also checking certified payrolls prior to recommending payment under the appropriate grant or loan.

FREDERICK COUNTY, MARYLAND

Schedule of Prior Year Audit Findings For the Year Ended June 30, 2011

Finding 2010-01

Certain federal expenditures were not included on the original Schedule of Expenditures of Federal Awards. During the audit, it was discovered that certain federal expenditures were incorrectly calculated from the original copy of the Schedule of Expenditures of Federal Awards as compiled by Frederick County, Maryland. The Community Development Block Grants were overstated by \$13,604; the Highway Capital Projects (ARRA) were understated by \$984,512; the Bridge Projects were understated by \$57,684; and the Ballenger McKinney WWTP ENR Upgrade Expansion Loan (ARRA) was understated by \$922,853. The net effect, the original Schedule of Expenditures of Federal Awards was understated by \$1,951,958.

Status

Corrected.

Finding 2010-02

Some benefited time was not prorated based on the amount of hours worked per grant. We believe the amount is immaterial to the Schedule of Expenditures of Federal Awards. However; if not corrected, the overall effect could be deemed material in the future.

Status

Corrected.