

FREDERICK COUNTY GOVERNMENT

Jan H. Gardner
County Executive

INTERAGENCY INTERNAL AUDIT AUTHORITY

Tricia Griffis, Director of Internal Audit

Memorandum

To: Interagency Internal Audit Authority – Board Members

From: Tricia A. Griffis, CPA
Director, Internal Audit Division

Date: May 13, 2015

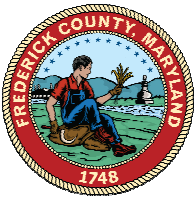
Subject: Annual review of Frederick County, Frederick County Public Schools & Frederick Community College financial reports

The annual financial audits of Frederick County, Maryland, Frederick County Public Schools, and Frederick Community College have been completed by SB & Company, LLC for fiscal year 2014 as contracted by the County Commissioners (former), Board of Education and Board of Trustees, respectively. As of April 15, 2015 the Frederick County Public Schools system also obtained a report from the Office of Legislative Audits. Below is a breakdown of each report presented by SB & Company and the Office of Legislative Audits along with my review of the results.

The following is a summary of the results of each report for **Frederick County, Maryland** (FCG):

- Comprehensive Annual Financial Report (CAFR)
 - Unmodified opinion
 - No noted prior period adjustments or restatements
 - Noted subsequent events
 - Taxable General Obligation Public Facilities Refunding Bond, Series 2014B in the amount of \$34,495,000 on July 8, 2014.
 - Tax-Exempt General Obligation Public Facility Bonds, Series 2014A in the amount of \$34,795,000 on July 24, 2014.
 - Taxable Special Tax A Limited Obligation Bonds, Series 2014A in the amount of \$14,889,000 and Taxable Tax Increment and Special Tax B Limited Obligation Bonds, Series 2014B in the amount of \$6,774,000 on November 14, 2014.
 - Tax-Exempt General Obligation Public Facilities Refunding Bond Series 2014C in the amount of \$16,715,000 on November 25, 2014.
 - Four Installment Purchase Agreements to purchase easements of development rights of agricultural land.
- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
 - No material weaknesses or significant deficiencies noted
 - No paragraph noting control deficiencies noted
 - No noted instances of non-compliance with laws, regulations, contracts, grant agreements, etc noted.

Frederick County: Rich History, Bright Future



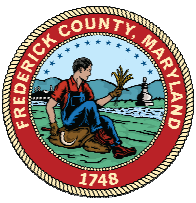
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- Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133
 - No material weaknesses or significant deficiencies noted
 - No paragraph noting control deficiencies noted.
 - No noted instances of non-compliance with federal grant programs.
- Single Audit report
 - Unmodified opinion
 - Low risk auditee
 - Total federal expenditures \$14,477,612
 - No CY or PY findings or deficiencies noted
- Annual required communications from the auditor
 - Nothing noted and no separate management letter presented.
- 911 Trust Fund Audit of Revenue and Expenditures
 - Unmodified opinion, no issues noted
- Office for Children & Families audit of Revenue and Expenditures
 - Unmodified opinion, no issues noted
- Bell Court Apartments annual financial audit (as regulated by DHCD)
 - Annual audited financial statement report
 - Unmodified opinion
 - No prior period adjustments or restatements
 - No subsequent events noted
 - Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
 - No material weaknesses or significant deficiencies noted
 - No paragraph noting communication to management regarding control deficiencies noted
 - No non-compliance noted
 - Department of Housing and Community Development (DHCD) report on compliance with specific requirements
 - No issued noted, complied in all material respects
 - Electronic Filing to DHCD
 - Completed and accepted by DHCD

The following is a summary of the results of each report for **Frederick County Public Schools, Maryland (FCPS)**:

- CAFR
 - Unmodified opinion
 - No noted prior period adjustments or restatements
 - Noted subsequent events
 - None noted
 - No passed adjustments noted
- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
 - No material weaknesses or significant deficiencies noted
 - No paragraph noting control deficiencies noted
 - No noted instances of non-compliance with laws, regulations, contracts, grant agreements, etc.
- Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133
 - No material weaknesses or significant deficiencies noted



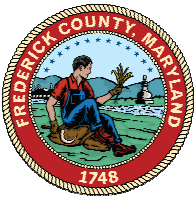
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- No paragraph noting control deficiencies noted.
 - No noted instances of non-compliance with federal grant programs.
- Single Audit report
 - Unmodified opinion
 - Low risk auditee
 - Total federal expenditures \$20,007,084
 - No CY or PY findings or deficiencies noted
- Annual required communications from the auditor
 - No passed adjustments noted
 - No issued noted during the audit
 - Controls appear to be running effectively
 - No instances of fraud or illegal acts noted
- Office of Legislative Audits report for FY11, 12, 13 & 14
 - 18 internal control findings between 4 fiscal years regarding the following areas:
 - Revenue & Billing cycle (2)
 - Procurement & Disbursement Cycle (2)
 - Human Resources & Payroll (2)
 - Inventory Control & Accountability (1)
 - Information Technology (4)
 - Facilities Construction, Renovation & Maintenance (2)
 - Transportation Services (1)
 - Food Services (3)
 - Other Financial Controls (1)

The following is a summary of the results of each report for **Frederick Community College, Maryland (FCC)** and the **Frederick Community College Foundation Inc.**

- Annual audited financial statement report (FCC)
 - Unmodified opinion
 - No noted prior period adjustments or restatements
 - No subsequent events noted
- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
 - No material weaknesses or significant deficiencies noted
 - No paragraph noting control deficiencies noted
 - No noted instances of non-compliance with laws, regulations, contracts, grant agreements, etc.
- Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133
 - No material weaknesses or significant deficiencies noted
 - No paragraph noting control deficiencies noted.
 - No noted instances of non-compliance with federal grant programs.
- Single Audit report
 - Unmodified opinion
 - Low risk auditee
 - Total federal expenditures \$10,293,909
 - No CY or PY findings or deficiencies noted
- Annual required communications from the auditor
 - No passed adjustments noted
 - No issued noted during the audit
 - Controls appear to be running effectively
 - No instances of fraud or illegal acts noted



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- FCC Foundation- annual audited financial statement report
 - GAAP based financial statements
 - Unmodified opinion
 - No noted prior period adjustments or restatements
 - No subsequent events noted

I have reviewed each of the above listed reports (from management) and opinions from SB & Company and the Office of Legislative Audits. It appears that the reports were appropriately formulated and that the CAFRs have all necessary sections to obtain the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting. New accounting pronouncements appear to have been properly implemented and noted. Overall each entity received a "clean" unmodified audit opinion and no material weaknesses or significant deficiencies were noted in any of the entities. Additionally, no compliance findings were noted on any of the single audit reports.

Finally, it was noted that none of the above entities received any control deficiencies that required communication to management in the required communications letter or a management style letter. Some matters that were investigated by the Internal Audit Division during the fiscal year were brought to the attention of SB & Company, however it appears that SB & Company in using their judgment did not determine that communication of those deficiencies was necessary or rose to a level in which they determined communication was necessary.

Please let me know if you have any specific questions to the above mentioned reports.

Pc: Dawn Reed, Administrative Coordinator, Internal Audit