



FREDERICK COUNTY GOVERNMENT

INTERAGENCY INTERNAL AUDIT AUTHORITY

Tricia Griffis, Director of Internal Audit

Memorandum

To: Interagency Internal Audit Authority - Members

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

Date: March 26, 2020

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 2019 as contracted by the County Council, Board of Education and Board of Trustees, respectively. Below is a breakdown of each report presented by SB & Company:

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

- Comprehensive Annual Financial Report (CAFR)
 - Unmodified opinion, dated November 14, 2019
 - No prior period adjustments
 - No Restatements
 - Risk management/ legal liabilities
 - No items noted which would result in settled claims over and above what is covered by the County insurance policies or that would have a material adverse effect on the financial statements at this time. (CAFR pg. 101)
 - Noted subsequent events
 - On July 17, 2019 the County entered into an installment purchase agreement to purchase an easement of development rights of agricultural land. This is a 20 year obligation with interest paid annually and final maturity on May 15, 2039. The amount of the easement totals \$626,849. (CAFR pg. 125)
 - On September 24, 2019 the County issued its Tax-Exempt General Obligation Public Facility Bonds, Series 2019A in the amount of \$106,245,000. The Bond bears an average coupon rate of 3.238%

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- per annum and a true interest cost of 2.165%. The Bonds are payable August 1, 2020 through 2039. (CAFR pg. 125)
- On September 24, 2019 the County issued its Tax-Exempt General Obligation Public Facilities Refunding Bond Series 2019B in the amount of \$30,015,000. The Bond bears an average coupon rate of 2.414% per annum and a true interest costs of 2.99%. The principal amount of the Bonds are payable August 1, 2021 through 2034. (CAFR pg. 125)
 - On July 23, 2019 the County issued Economic Development Revenue Bonds to benefit Hood College in the amount of \$36,100,000. The bond issue will be utilized to finance improvements to campus facilities and to refinance the County's Economic Development Revenue Bonds, Series 2010A. (CAFR pg. 125)
 - New accounting pronouncements
 - The County has adopted GASB Statement 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"; Statement 81 "Irrevocable Split-Interest Agreements; Statement 85 "Omnibus"; and Statement 86 "Certain Debt Extinguishment Issues"
 - The County will evaluate the effects of and adopt by effective dates: Statement 84 "Fiduciary Activities"; Statement 87 "Leases"; and Statement 90 "Majority Equity Interests"
 - Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
 - Dated November 14, 2019
 - 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
 - Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance in Accordance With the Uniform Guidance
 - Unmodified opinion, dated December 20, 2019
 - 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, dated December 20, 2019
 - Low risk auditee
 - Total federal expenditures \$18,849,139
 - Total major programs tested \$7,879,738
 - No current year or prior year findings or deficiencies noted
 - Filed timely with the Federal Audit Clearinghouse

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- Annual required communications from the auditor
 - Nothing noted and no separate management letter presented
 - Management representation letter
 - No special representations or items outside of the normal scope of the audit noted
 - Statement of Client Attendance Days and Client Fees of Frederick County, Maryland examination
 - For the year ended June 30, 2019
 - Unmodified opinion dated December 20, 2019
 - Wage Survey Form of Frederick County, Maryland examination
 - For the year ended June 30, 2018
 - Unmodified opinion dated June 6, 2019
 - 911 Trust Fund Audit of Revenue and Expenditures
 - Unmodified opinion dated November 25, 2019, no issues noted
 - Bell Court Apartments annual financial audit (as regulated by DHCD)
 - Annual audited financial statement report
 - Unmodified opinion, dated September 25, 2019
 - No prior period adjustments or restatements
 - No noted legal contingencies
 - No subsequent events noted
 - Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
 - Dated September 25, 2019
 - 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
 - Dated September 25, 2019
 - No issued noted, complied in all material respects
 - Electronic filing to DHCD
 - Completed and accepted by DHCD timely

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

- CAFR
 - Unmodified opinion, dated September 24, 2019
 - Noted subsequent events
 - None noted
 - No passed adjustments noted
 - Change in accounting principle/restatement

- New accounting pronouncements
 - FCPS has adopted GASB Statement 83 “Certain Asset Retirement Obligations”; Statement 88 “Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements” and Statement 89 “Accounting for Interest Cost Incurred before the End of a Construction Period”
 - FCPS will evaluate the effects of and adopt by effective dates: Statement 84 “Fiduciary Activities”; Statement 87 “Leases”; and Statement 90 “Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61”
- Risk management/legal liabilities:
 - No items noted which would result in settled claims over and above what is covered by FCPS or that would have a material adverse effect on the financial statements at this time
- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
 - Dated September 24, 2019
 - 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 the Uniform Guidance
 - Unmodified opinion, dated September 24, 2019
 - 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, dated September 24, 2019
 - Low risk auditee
 - Total federal expenditures \$24,178,158
 - Total major programs tested \$9,388,559
 - No current year or prior year findings or deficiencies noted
 - Filed timely with the Federal Audit Clearinghouse
- Annual required communications from the auditor
 - No passed adjustments noted
 - No issues noted during the audit
 - Controls appear to be running effectively
 - No instances of fraud or illegal acts noted
 - Management recommendation letter
 - None noted
- Management representation letter
 - No special representations or items outside of the normal scope of the audit noted

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, dated September 24, 2019
 - No noted prior period adjustments or restatements
 - New accounting pronouncements:
 - None noted in the report
 - No subsequent events noted
 - Risk Management/legal liabilities:
 - No items noted which would result in settled claims over and above what is covered by FCC or that would have a material adverse effect on the financial statements at this time
- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
 - Report dated September 24, 2019
 - 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 the Uniform Guidance
 - Report dated September 24, 2019
 - No material weaknesses or significant deficiencies noted
 - No paragraph noting control deficiencies noted
 - One instance of noncompliance noted as Finding 2019-001 which notes an instance of requesting funds for a reimbursable grant in which the funds had not yet been expended. The grant was under the Student Financial Aid Cluster. FCC had requested more than expended in the month of September 2018, found the error and self-corrected the error in their October 2018 monthly submission.
- Single Audit report
 - Unmodified opinion, dated September 24, 2019
 - Low risk auditee
 - Total federal expenditures \$7,782,275
 - Total major programs tested \$6,817,484
 - One finding noted as Finding 2019-001, defined above
 - Does not appear to have been filed timely with the Federal Audit Clearinghouse. The filing was submitted and accepted on January 2, 2020, however the report was released in a Board of Trustees presentation of October 23, 2019 which is longer than the 30 day submission due date. This will be a finding in the fiscal year 2020 single audit report.
- Annual required communications from the auditor
 - No passed adjustments noted
 - No issues noted during the audit

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- Controls appear to be running effectively
 - No instances of fraud or illegal acts noted
 - One item of noncompliance in the single audit noted as Finding 2019-001 as listed above
 - Current year Management Recommendation letter
 - None noted
 - FCC Foundation- annual audited financial statement report
 - GAAP based financial statements, dated September 24, 2019
 - Unmodified opinion
 - No noted prior period adjustments or restatements
 - New accounting pronouncements:
 - FASB ASU 2018-08: "Not-for-Profit entities" "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made" effective for FY20
 - FASB ASU 2016-15: "Statement of Cash Flows: classification of Certain Cash Receipts and Cash Payments" effective for FY20
 - FASB ASU 2016-14: "Presentation of Financial Statements of Not-for-Profit Entities" effective for FY19
 - FASB ASU 2014-09 "Revenue from Contracts with Customers" effective for FY19
 - FASB ASU 2016-02 "Leases", along with ASU 2018-01 "Leases (Topic 842) Land Easement Practical Expedient for Transition to Topic 842" and ASU 2018-10 "Codification Improvements to Topic 842, Leases and Leases (Topic 842): Targeted Improvements" effective for FY21
 - No subsequent events noted
 - No matters noted as probable or likely for disclosure or as a contingent liability on the books of the College.
 - Management representation letter
 - No special representations or items outside of the normal scope of the audit noted
 - Annual required communications from the auditor
 - No special representations or items outside of the normal scope of the audit noted

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Community College Financial Reports

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I have reviewed each of the above listed reports (from management) and opinions from SB & Company. 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. Additionally, one compliance finding was noted in the FCC single audit, and no noncompliance was noted on the FCG or FCPS single audit reports.

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

Pc: Dawn Reed, Administrative Coordinator, Internal Audit