



## FREDERICK COUNTY GOVERNMENT

### INTERAGENCY INTERNAL AUDIT AUTHORITY

Tricia Reaver, CPA, Director of Internal Audit

## Memorandum

**To:** Interagency Internal Audit Authority

A handwritten signature in black ink that reads "Tricia A. Reaver".

**From:** Tricia A. Reaver, CPA  
Director, Internal Audit Division

**Date:** June 24, 2024

**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 (with the exception of the Scott Key Center, Inc, which was completed by LSWG, P.A.) for fiscal year 2023 as contracted by the County Council, Board of Education and Board of Trustees, respectively. Below is a breakdown of each report presented:

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

- Annual Comprehensive Financial Report (ACFR)
  - Unmodified opinion, dated November 15, 2023
  - No noted prior period adjustments or restatements
  - Noted subsequent events:
    - On October 25, 2022, the County Council approved Bill #22-22 and Bill #22-23 amending the Frederick County Employees Retirement Plan and the Frederick County Uniformed Employees Retirement Plan to provide for a permanent cost of living adjustment tie to annual changes in the Consumer Price Index, effective July 1, 2023. (ACFR pg. 160)
  - New accounting pronouncements:
    - The County has adopted the provisions of GASB Statement No. 91 "Conduit Debt Obligations", Statement No. 94 "Public-Private Partnerships and Availability Payment Arrangements", Statement No. 96 "Subscription-Based Information Technology Arrangements" and Statement No. 99 "Omnibus 2022 (the requirements related to leases, PPPs and SBITAs). (ACFR pg. 161)

- The County will evaluate the effects of and adopt by effective dates: Statement No. 99 "Omnibus 2022" and the requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53, Statement No. 100 "Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62", and Statement No. 101 "Compensated Absences". (ACFR pg. 161)
  - 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. (ACFR pg. 131)
- 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
  - Dated November 15, 2023
  - 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 March 18, 2024
  - 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 March 18, 2024
  - Low risk auditee
  - Total federal expenditures \$41,437,904
  - Total major programs tested \$18,418,173
  - No current year or prior year findings or deficiencies noted
  - Filed timely with the Federal Audit Clearinghouse (filed on March 19, 2024; audit report date March 18, 2024)
- Annual required communications from the auditor
  - Nothing noted and no separate management letter presented
- Management representation letters
  - No special representations or items outside of the normal scope of the audit noted
- 911 Trust Fund Audit of Revenue and Expenditures
  - Unmodified opinion dated May 7, 2024; no issues noted

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- Agreed-Upon Procedures to Federal Register Criteria for Municipal Solid Waste Landfills – Financial Assurance Criteria
  - Report dated December 4, 2023
  - No negative findings reported on agreed upon procedures engaged to perform
- Scott Key Center, Inc. annual financial audit (as prepared by LSWG, P.A.)
  - Annual audited financial statement report
    - Unmodified opinion, dated October 4, 2023
    - No prior period adjustments or restatements
    - No noted legal contingencies
    - No subsequent events noted
- Statement of Client Attendance Days and Client Fees of Frederick County, Maryland examination (Scott Key Center, Inc.)
  - For the year ended June 30, 2023
  - Unmodified opinion dated December 14, 2023
- Bell Court Apartments annual financial audit (as regulated by DHCD)
  - Annual audited financial statement report
    - Unmodified opinion, dated September 25, 2023
    - No prior period adjustments or restatements
    - No noted legal contingencies
    - No subsequent events noted
  - Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
    - Dated September 25, 2023
    - No material weaknesses or significant deficiencies noted
    - No paragraph noting communication to management regarding control deficiencies noted
    - No non-compliance noted
  - Report on Compliance with Specific Requirements Applicable to DHCD-Assisted Programs
    - Dated September 25, 2023
    - 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)**:

- ACFR
  - Unmodified opinion, dated September 28, 2023
  - No noted prior period adjustments or restatements
  - Subsequent events – none noted

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- New accounting pronouncements:
  - FCPS will evaluate the effects of and adopt by effective dates: Statement No. 100 "Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62" and Statement No. 101 "Compensated Absences". (ACFR pg. 69)
- 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 (ACFR pg. 69). The liability balance within the FCPS self-insurance claims fund on June 30, 2023, was \$12,050,921. (ACFR pg. 63)
- 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
  - Dated September 28, 2023
  - 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 Report on Internal Controls Over Compliance in Accordance with the Uniform Guidance
  - Unmodified opinion, dated December 11, 2023
  - 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 11, 2023
  - Low risk auditee
  - Total federal expenditures \$51,310,903
  - Total major programs tested \$25,379,502
  - No current year or prior year findings or deficiencies noted
  - Filed timely with the Federal Audit Clearinghouse (Filed on December 27, 2023, report dated December 11, 2023; within 30 business days)
- 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

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 29, 2023
  - No noted prior period adjustments or restatements
  - Subsequent events – none noted (Pg. 41)
  - New accounting pronouncements:
    - FCC will evaluate the effects of and adopt by effective dates: Statement No. 99 "Omnibus 2022"; Statement No. 100 "Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62" and Statement No. 101 "Compensated Absences". (Pg. 22)
    - FCC evaluated the effects of Statement No. 96 "Subscription-Based Information Technology Arrangements" (SBITA) and concluded the adoption did have a significant effect on the financial statements, whereas the College calculated the net present values of SBITA payments and reflected those in the financial statements. As of July 1, 2022, the College recorded a right to use SBITA asset of \$693,429 and a SBITA liability of \$693,429. The College did not restate the prior year presented as it was not practical. (Pg. 23)
  - 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 (Pg. 34)
- 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
  - Report dated September 29, 2023
  - 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 Report on Internal Controls Over Compliance in Accordance with the Uniform Guidance
  - Report dated January 9, 2024
  - No material weaknesses or significant deficiencies noted
  - No paragraph noting control deficiencies noted
  - No prior year compliance findings or deficiencies noted

- Single Audit report
  - Unmodified opinion, dated January 9, 2024
  - Low risk auditee
  - Total federal expenditures \$10,783,051
  - Total major programs tested \$9,570,920
  - No current year findings noted
  - No prior year findings noted
  - Filed timely with the Federal Audit Clearinghouse (Filed on February 8, 2024; report dated January 9, 2024)
- Annual required communications from the auditor
  - Communication from SB & Company dated October 18, 2023, noted one recommendation in relation to FCC disbursement cycles and one recommendation in relation to internal review of MHEC reported information.
- FCC Foundation- annual audited financial statement report
  - GAAP based financial statements, dated September 20, 2023
  - Unmodified opinion
  - No noted prior period adjustments or restatements
  - New accounting pronouncements: none noted
  - No subsequent events noted
  - No matters noted as probable or likely for disclosure or as a contingent liability on the books of the Foundation
- Management representation letters
  - No special representations or items outside of the normal scope of the audit noted

I have reviewed each of the above listed reports (from management) and opinions from SB & Company and LSWG, P.A. It appears the reports were appropriately formulated and the ACFRs 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, significant deficiencies or compliance findings were noted on the financial statement reports. Additionally, no material weaknesses, significant deficiencies or compliance findings on major programs were noted on the uniform guidance reports.

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

Pc: Dawn Reed, Coordinator, Internal Audit