



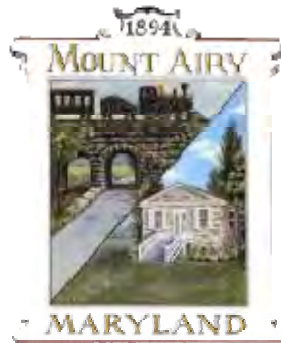
Main Street Sykesville, MD before the fire in the 1930's.



Main Street Sykesville, MD now.



Single Audit Section



Mt. Airy, MD Main Street 1953



Mt. Airy, MD now.

Independent Auditor's 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*

To the County Commissioners of Carroll County
Carroll County, Maryland

We have audited, in accordance with the 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Carroll County, Maryland (the "County"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Carroll County, Maryland's basic financial statements, and have issued our report thereon dated December 11, 2017. The County's financial statements include the operations of the Carroll Community College, the Board of Education of Carroll County, the Industrial Development Authority of Carroll County, and the Carroll County Public Library for the year ended June 30, 2017. Our audit described below did not include operations of these entities as they are engaged under separate audits in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Carroll County, Maryland'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 Carroll County, Maryland's internal control. Accordingly, we do not express an opinion on the effectiveness of Carroll County, Maryland'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 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. 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carroll County, Maryland's financial statements are free from 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*.

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. This 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.

A handwritten signature in cursive script that reads "CohnReznick LLP".

Baltimore, Maryland
December 11, 2017

Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance

The County Commissioners of Carroll County
Westminster, Maryland

Report on Compliance for Each Major Federal Program

We have audited Carroll County, Maryland'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 Carroll County, Maryland's major federal programs for the year ended June 30, 2017. Carroll County, Maryland'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 Carroll County, Maryland'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 Carroll County, Maryland's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

The County's financial statements include the operations of the Carroll County Community College, the Carroll County Board of Education, the Industrial Development Authority of Carroll County, and the Carroll County Public Library for the year ended June 30, 2017, component units which may have received federal awards, and which are not included in the schedule of expenditures of federal awards for the year ended June 30, 2017. Our audit described below did not include operations of these entities as they are engaged under separate audits. The results of these audits are separately reported in accordance with Uniform Guidance, if required.

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 Carroll County, Maryland's compliance.

Opinion on Each Major Federal Program

In our opinion, Carroll County, Maryland complied, in all material respects, with the types of 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, 2017.

Report on Internal Control over Compliance

Management of Carroll County, Maryland 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 Carroll County, Maryland's internal control over compliance with the types of requirements that could have a direct and material effect on each 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 Carroll County, Maryland'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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-003 that we consider to be a material weakness.

Carroll County, Maryland's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Carroll County, Maryland's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



Baltimore, Maryland
December 11, 2017

The County Commissioners of Carroll County

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through to Subrecipients</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development			
Direct Housing Section 8 Grants			
Section 8 Housing Choice Voucher Cluster (14.871 / 14.879)			
HUD Housing Admin FY16	14.871	\$ -	\$ 316
HUD Housing FY17	14.871	-	5,070,011
HUD Housing Admin FY17	14.871	-	428,177
HUD Housing Admin FY18	14.871	-	653
Total Section 8 Housing Choice Voucher Cluster (14.871 / 14.879)		-	5,499,157
Continuum of Care FFY16	14.267	-	2,351
Continuum of Care FY17	14.267	-	6,599
Family Self-Sufficiency FY17	14.896	-	49,570
Total U.S. Department of Housing and Urban Development Section 8 Grants		-	5,557,677
U.S. Department of Housing & Community Development			
Passed Through Maryland Department of Community Development			
Emergency Solutions FY15	14.231	46,306	46,306
Emergency Solutions FY16	14.231	18,544	18,544
CDBG-Respite Inn FY17	14.228	178,560	178,560
ARC-CDBG FY17	14.228	80,647	80,647
Total U.S. Department of Housing and Community Development		324,057	324,057
U.S. Department of Labor			
Passed Through Howard County Maryland			
Manpower Resources Employment and Training Assistance			
WIA Cluster (17.258 / 17.259 / 17.278)			
BERC-Title I Adult FY16	17.258	-	207,447
BERC-Title I Adult FY17	17.258	-	3,099
BERC-Title I Disc Worker FY16	17.278	-	553,853
BERC-Title I Disc Worker FY17	17.278	-	593
BERC-Youth FY16	17.259	-	139,004
BERC-Youth FY17	17.259	-	904
BERC-Admin FY16	17.258	-	32,434
BERC-Admin FY16	17.278	-	11,743
BERC-Admin FY16	17.259	-	11,743
BERC-Admin FY17	17.258	-	671
BERC-Admin FY17	17.278	-	243
BERC-Admin FY17	17.259	-	243
BERC-WEX FY16	17.259	-	4,316
Passed Through Maryland Department of Education			
Economically Disadvantaged Youth FY10	17.259	-	2,261
Total WIA Cluster (17.258 / 17.259 / 17.278)		-	968,554
Total U.S. Department of Labor		-	968,554

The County Commissioners of Carroll County

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Grantor/Program Title	Federal CFDA Number	Pass-through to Subrecipients	Expenditures
U.S. Department of Health and Human Services			
Passed Through Maryland Office on Aging			
Aging Cluster (93.044 / 93.045 / 93.053)			
Title III, Part B FY16	93.044	-	61
Title III, Part B FY17	93.044	-	176,519
Title III, Part C-1 Congregate Meals FY16	93.045	-	7,079
Title III, Part C-1 Congregate Meals FY17	93.045	-	126,699
Title III, Part C-2 Home Delivered Meals FY16	93.045	-	22,860
Title III, Part C-2 Home Delivered Meals FY17	93.045	-	36,723
Nutritional Svc Incentive FY17	93.053	-	35,493
Total Aging Cluster (93.044 / 93.045 / 93.053)		-	405,434
Title III, Part D FY17	93.043	-	3,685
Title III, Part E FY16	93.052	-	16,311
Title III, Part E FY17	93.052	-	47,033
Ombudsman FY16	93.042	-	6,409
Ombudsman FY17	93.042	-	13,055
Title VII, Part 3 Elder Abuse FY17	93.041	-	3,750
SMPOOA FY17	93.048	-	3,878
SHIP FY17	93.324	-	7,888
MIPPA FY16	93.071	-	2,294
MIPPA FY17	93.071	-	7,191
SHIP FY18	93.324	-	5,000
Passed Through Maryland State Department of Human Resources			
Circuit Ct Child Support FY16	93.563	-	8,061
St Atty Child Support FY16	93.563	-	2,994
Circuit Ct Child Support FY17	93.563	-	15,232
Sheriff Child Support FY16	93.563	-	24,384
Sheriff Child Support FY17	93.563	-	78,771
Safe & Stable FY17	93.556	125,824	125,824
Sheriff CCAIC Training Enhance FY16	93.643	-	1,448
Cluster (15.025/ 15.026 / 15.113 / 15.114 / 15.130 / 17.265 / 93.558 / 93.569 / 93.575 / 93.594 / 93.596)		-	
Family Preservation FY17	93.558	356,250	356,250
Total Cluster (15.025/ 15.026 / 15.113 / 15.114 / 15.130 / 17.265 / 93.558 / 93.569 / 93.575 / 93.594 / 93.596)		356,250	356,250
Passed Through Maryland Department of Health & Mental Hygiene			
Family Blossom IV-E FFY16	93.658	-	11,515
Legal Services FY17	93.658	-	39,026
(Cluster 93.775 / 93.777 / 93.778)			
MA Waiver FY17	93.778	-	210,142
MFP FY17	93.778	-	10,450
Passed Through Maryland Office on Aging			
Federal Financial Participation FY17	93.778	-	157,380
Total Cluster 93.775 / 93.777 / 93.778		-	377,972
Total U.S. Department of Health and Human Services		482,074	1,563,405
U.S. Veterans Administration			
Passed Through Maryland Office On Aging			
Veterans Directed Home FY17	64.022	-	20,460
Total U.S. Veterans Administration		-	20,460

The County Commissioners of Carroll County

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Grantor/Program Title	Federal CFDA Number	Pass-through to Subrecipients	Expenditures
U.S. Department of Transportation			
Passed Through Maryland State Highway Administration			
Cluster 20.205 / 20.219 / 20.224 / 23.003			
Sheriff Highway Safety FY16	20.205	-	7,719
White Rock Road over Piney Run	20.205	-	547,372
MD 32 Sidewalk	20.205	-	20,766
Finksburg Industrial Park	20.205	-	760,708
Total cluster 20.205 / 20.219 / 20.224 / 23.003		-	1,336,565
Cluster 20.600 / 20.601 / 20.602 / 20.609 / 20.610 / 20.611 / 20.612 / 20.613 / 20.616			
Sheriff Highway Safety FY17	20.600	-	7,000
Sheriff Highway Safety FY16	20.600	-	11,578
Sheriff Highway Safety FY17	20.616	-	5,792
Total cluster 20.600 / 20.601 / 20.602 / 20.609 / 20.610 / 20.611 / 20.612 / 20.613 / 20.616		-	24,370
Cluster 20.500 / 20.507 / 20.525 / 20.526			
Section 5307 FY17	20.507	-	296,622
Section 5311 Capital FY17	20.507	-	510,026
Section 5311 Capital FY14	20.507	-	194,053
Section 5311 Capital FY15	20.507	-	292,963
CTS Vehicle Auction	20.507	-	3,590
Total cluster 20.500 / 20.507 / 20.525 / 20.526		-	1,297,254
Motor carrier Safety Asst FY16	20.218	-	5,391
Motor carrier Safety Asst FY17	20.218	-	13,531
Section 5311 FY17	20.509	-	100,119
Older Driver FY16	20.614	-	198
UPWP FY16	20.505	-	14,820
HMEP FY15	20.703	-	6,337
UPWP FY15	20.505	-	34,668
UPWP FY17	20.505	-	46,744
Hazmat FY17	20.703	-	13,100
Total U.S. Department of Transportation		-	2,893,097
U.S. Department of Homeland Security			
Passed Through Maryland Emergency Management Administration			
Emergency Planners	97.067	-	(1,784)
UASI-Hazmat	97.067	-	(71)
Emer Notification System Software	97.067	-	1,455
SHSP HST FFY15	97.067	-	35,515
UASI FFY15 Emg Planners	97.067	-	118,090
SHSP RESP FFY15	97.067	-	22,722
SHSP EOC FFY15	97.067	-	420
UASI LAW FFY15	97.067	-	50,617
UASI HAZM FFY15	97.067	-	9,843
UASI-MCCV FFY15	97.067	-	1,859
UASI-MCS FFY15	97.067	-	8,630
SHSP Respond to all Hazard events FFY16	97.067	-	4,142
UASI- Regional Em Planners FFY16	97.067	-	33,019
SHSP EOC FFY16	97.067	-	4,999
SHSP Homeland Sec Train FFY16	97.067	-	35,000
UASI ENS FFY16	97.067	-	20,000
UASI-Mobile Command Vehicle FFY16	97.067	-	8,250
UASI-CBRNE FFY16	97.067	-	8,077
Drug Disposal FY16	93.959	-	102
Immigration & Custom Enforcement (ICE)	16.590	-	4,074
Emergency Mgmt Preparedness	97.042	-	109,077
FEMA Reimbursement-2016 Snowstorm	97.036	-	786,250
Total U.S. Department of Homeland Security		-	1,260,286

The County Commissioners of Carroll County

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through to Subrecipients</u>	<u>Expenditures</u>
U.S. Department of Agriculture			
Passed Through Maryland Department of Human Resources			
ABAWD FY16	10.561	-	33,860
ABAWD FY17	10.561	-	25,711
Total U.S. Department of Agriculture		-	59,571
U.S. Department of Justice			
Passed Through The Governor's Office of Crime Control and Prevention			
Drug Task Force-State's Atty	16.922	-	13,312
DOJ Joint Law Enforcement Ops	16.111	-	9,760
DOJ Joint Law Enforcement FFY17	16.111	-	6,048
VAWA FY16 State's Atty	16.588	-	13,863
VAWA FY16 Sheriff	16.588	-	5,000
VAWA FY 17 State's Atty	16.588	-	49,378
NNCAC FY17	16.758	-	5,822
VAWA FY17 Sheriff	16.588	-	14,852
Adult Drug Ct FY17 Circuit Ct	16.738	-	2,600
Total of U.S. Department of Justice		-	120,635
Executive Office of the President			
Passed Through Mercyhurst Univeristy			
HIDTA CY16	95.001	-	114,637
HIDTA CY17	95.001	-	32,281
Total Executive Office of the President		-	146,918
U.S. Department of Education			
Passed Through Maryland Department of Education			
DORS Program FY17	84.126	-	34,311
Total U.S. Department of Education		-	34,311
Environmental Protection Agency			
Passed Through National Fish and Wildlife Foundation			
Carroll County Maintenance Pond	66.466	-	222,867
Passed Through Maryland Department of Natural Resources			
Carroll County Farm Museum ESD	66.466	-	119,366
		-	342,233
Federal Aviation Administration			
Direct - Airport Improvement Program:			
Master Plan Updated AIP30	20.106	-	44,868
Land Services AIP31	20.106	-	105,133
Total Federal Aviation Administration		-	150,001
Total Federal Programs		\$ 806,131	\$ 13,441,205

See Notes to Schedule of Expenditures of Federal Awards.

The County Commissioners of Carroll County
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal award activity of the Carroll County, Maryland under programs of the federal government for the year ended June 30, 2017. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87 for State, Local and Indian Tribal Governments or cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the schedule presents only a selected portion of the operations of the Carroll County, Maryland, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Carroll County, Maryland.

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, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Grant revenues are recorded for financial reporting purpose when expenditures are made in accordance with requirements of respective grants. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3 - Indirect cost rate

Carroll County, Maryland has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4 - Prior year expenditures included on the schedule

Due to the timing and approval of reimbursement of certain FEMA grants, the expenditures included with CFDA #97.036 in the amount of \$786,250 were expended in a prior year but included on the current year schedule due to FEMA approval of the costs during the current year.

The County Commissioners of Carroll County

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2017**

I. Summary of Independent Auditor's Results

Financial Statements

Type of Auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency (ies) identified? Yes None Reported

Noncompliance material to financial
statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None Reported

Type of auditor's report issued on compliance for
major programs: Unmodified

Any audit findings disclosed that are required
to be reported in accordance with 2 CFR
Section 200.516(a) of the Uniform Guidance Yes No

Identification of Major Programs

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>	<u>Fiscal Year 6/30/2017 Expenditures</u>
Housing Choice Voucher Cluster	14.871 / 14.879	\$ 5,499,157
Highway Planning and Construction Cluster	20.202 / 20.219 / 20.224 / 23.003	\$ 1,336,565
Federal Transit Formula Grants Cluster	20.500 / 20.507 / 20.525 / 20.526	\$ 1,297,254
Disaster Grants - Public Assistance	97.036	\$ 786,250

Auditee qualified as a low-risk auditee? Yes No

The County Commissioners of Carroll County

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2017**

II. Financial Statement Findings

Finding No. 2017 - 001

Material Weakness

Condition/Context

During the course of our audit we noted material misstatements in the County's records surrounding capital assets. The misstatements related specifically to the identification of assets that are placed in service (as opposed to being construction in progress) as well as the valuation recorded for assets donated by a component unit. The material misstatements were corrected as a result of our inquiries.

Criteria

COSO/Internal Control Framework defines control activities as "policies and procedures that help to ensure management's directives are carried out." Management review controls are defined as, "the activities of a person, different than the preparer, through analyzing and performing oversight activities performed, and is an integral part of any internal control structure." COSO/Internal Control Framework state that control activities must be in place for there to be adequate control procedures over financial reporting. Furthermore, these control activities should be performed timely to ensure financial transactions are recorded in the correct reporting period in compliance with Generally Accepted Accounting Principles ("GAAP") and the standards set forth by the Governmental Accounting Standards Board ("GASB").

Cause

The errors related to classification of assets (when placed in service) were due to a lack of consistent, documented control processes surrounding the status of capital projects being completed by the County. The employees responsible for carrying out the projects is segregated from the financial reporting process and the procedures in place to communicate project status is not consistent and thorough.

The errors related to the misstatement of donated assets is due to a misapplication of measurement criteria related to donated assets. The County's does not have a documented process for how to consider a donation from a component unit (different than a donation from an outside party).

Effect

The errors led to misclassification of material amounts of capital assets as well as overstated assets donated from component units. These misstatements were corrected during the audit process.

Recommendations

We recommend that the County update its formal documentation surrounding its procedures pertaining to capital assets. The documentation should identify policy and procedures related to all typical major transactions, such as but not limited to asset acquisitions, dispositions (sale, loss, etc.), received donations and determining service lives and placed-in-service dates. The policies should include procedures that are documented in a fashion that they can be reperformed and should be reviewed within COSO/Internal Control Framework.

The County Commissioners of Carroll County

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2017**

Views of the Responsible Officials and Corrective Action Plan

Procedures have been put in place to meet with various departments to review the status of all CIP projects before the close of the year to make sure assets are properly recorded.

During FY17 was the first occurrence where assets were being returned to the primary government from a component unit. The correction was made as soon as we were notified of the error. Procedures have been written on how to handle component unit transfers of assets going forward.

Finding No. 2017 - 002

Material Weakness

Condition/Context

During the course of our audit we noted a material misstatement in the County's records surrounding the recognition of grant revenue related to the federal aviation grants in the Airport Fund, a major enterprise fund.

Criteria

COSO/Internal Control Framework defines control activities as "policies and procedures that help to ensure management's directives are carried out." Management review controls are defined as, "the activities of a person, different than the preparer, through analyzing and performing oversight activities performed, and is an integral part of any internal control structure." COSO/Internal Control Framework state that control activities must be in place for there to be adequate internal control procedures over financial reporting. Furthermore, these control activities should be performed timely to ensure financial transactions are recorded in the correct reporting period in compliance with Generally Accepted Accounting Principles ("GAAP") and the standards set by the Governmental Accounting Standards Board ("GASB").

Cause

The errors related to timing of revenue recognition related to cost-reimbursement grants. There were Federal and State-sourced cost-reimbursed grants related to the Airport Fund for which the County incurred expenses and did not record revenue for the portion that was sourced by the grant. Grants in the County's enterprise funds are not typical and are not given the same scrutiny and review as those in the Grant Fund.

Effect

The errors led to underrecognized revenue and assets that were material to the Airport Fund. The misstatement was corrected during the audit process.

Recommendations

We recommend that the County update its formal documentation surrounding its procedures pertaining to grants. The policies and procedures should include a formal review process by a designated finance department employee with the proper subject matter expertise to help overcome the fact that grant administration is decentralized at the County. The process should include documentation of the procedures that are put in place so that the review can be reperformed.

The County Commissioners of Carroll County

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2017**

Views of the Responsible Officials and Corrective Action Plan

Many discussions were held at year end on the proper revenue recognition. Adjustments were made to revenue recognition as soon as they were brought to our attention. Procedures are in place to correctly record the FAA grants moving forward and to review grants recorded in the enterprise funds.

III. Major Federal Award Findings and Questioned Costs

Finding No. 2017 - 003

Material Weakness

Condition/Context

During the course of our audit we found instances where the schedule of expenditures of federal awards ("SEFA") required several adjustments to stated expenditures, changes to CFDA numbers and certain programs were not properly clustered in accordance with Uniform Guidance requirements.

Criteria

The Uniform Guidance requires the auditee to have controls in place that will produce a complete, accurate and properly clustered SEFA.

Cause

The controls in place were unable to prevent adjustments to expenditures, detection of incorrect CFDA numbers and proper cluster reporting.

Effect

The SEFA expenditure amounts were misstated, the SEFA included incorrect CFDA numbers and was not properly clustered.

Recommendations

We recommend that the County enhance controls to ensure that the SEFA provided is complete, accurate and properly clustered.

Views of the Responsible Officials and Corrective Action Plan

All adjustments were made as soon as we found out about any incorrect expenditures or improper cluster groupings. The retirement of the staff member with experience and responsibility for preparing the SEFA occurred two months before year end. Replacement employee was hired after year end and the priority will be to learn the Uniform Guidance Requirements related to federal awards. A request for the addition of a grant accountant position will be considered in the upcoming budget process.

The County Commissioners of Carroll County

Schedule of Prior Year Audit Findings
Year Ended June 30, 2017

Finding No. 2016 - 001

Material Weakness

Condition/Context

The June 30, 2016, financial statements of the County reflect prior period adjustments pertaining to improper recording of revenue in the below- listed governmental funds and governmental activities. The effect of the adjustments is summarized below.

Grants Fund	Increase fund balance by \$1,770,272.
Capital Fund	Increase fund balance by \$655,477 and an unrelated offsetting decrease of fund balance by \$303,003.
General Fund	Increase of fund balance of \$244,767.

The above adjustments to governmental funds of \$2,367,513 also increase net position of the governmental activities by that amount.

Criteria

COSO/Internal Control Framework defines control activities as "policies and procedures that help to ensure management's directives are carried out. "Management review controls are defined as, "the activities of a person, different than the preparer, through analyzing and performing oversight activities performed, and is an integral part of any internal control structure." COSO/Internal Control Framework state that control activities must be in place for there to be adequate internal control procedures over financial reporting. Furthermore, these control activities should be performed timely to ensure financial transactions are recorded in the correct reporting period in compliance with Generally Accepted Accounting Principles ("GAAP") and the standards set by the Governmental Accounting Standards Board ("GASB").

Status

Management has satisfactorily addressed all findings noted.

Finding No. 2016 - 002

Material Weakness

Condition/Context

There were prior period adjustments related to improper fund classification. The effect of the adjustments to the following governmental funds and governmental activities is summarized below.

The County Commissioners of Carroll County

**Schedule of Prior Year Audit Findings
Year Ended June 30, 2017**

Agricultural Transfer Fund	Decrease fund balance by \$481,181 for activities that did not qualify as a special revenue fund.
Impact Fee Fund	Decrease fund balance by \$467,479 for activities that did not qualify as a special revenue fund.
Capital Fund	Increase fund balance by \$481,181 related to the agricultural transfer tax noted above. The \$467,479 related to the impact fees should have been reported as unearned revenue resulting in no charge to fund balance.
Agency Fund	Decrease in Assets and Liabilities of \$396,876 for balances that did not qualify as an agency fund. This is now properly accounted for within the general fund.

Criteria

COSO/Internal Control Framework defines control activities as "policies and procedures that help to ensure management's directives are carried out." Management review controls are defined as, "the activities of a person, different than the preparer, through analyzing and performing oversight activities performed, and is an integral part of any internal control structure." COSO/Internal Control Framework state that control activities must be in place for there to be adequate internal control procedures over financial reporting. Furthermore, these control activities should be performed timely to ensure financial transactions are recorded in the correct reporting period in compliance with Generally Accepted Accounting Principles ("GAAP") and the standards set by the Governmental Accounting Standards Board ("GASB").

Status

Management has satisfactorily addressed all findings noted.



Department of the Comptroller
Carroll County Government
225 North Center Street
Westminster, Maryland