

**HOWARD COUNTY, MARYLAND**

**REPORT ON SINGLE AUDIT**

**YEAR ENDED JUNE 30, 2017**

**HOWARD COUNTY, MARYLAND  
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**INDEPENDENT AUDITORS' 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 Honorable Members of the County Council  
Howard 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 Howard 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 the County's basic financial statements, and have issued our report thereon dated November 28, 2017. Our report includes a reference to other auditors who audited the financial statements of Howard Community College and Howard County Public Library, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. This report does not include the results of our testing of internal control over financial reporting or compliance and other matters for Howard County Public Schools and Howard Housing Commission as we have issued separate reports for Howard County Public Schools and Howard Housing Commission.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County'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.

To the Honorable Members of the County Council  
Howard County, Maryland

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as 2017-001 and 2017-002 that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County'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*.

### **Howard County, Maryland's Response to Findings**

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **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 result of that testing, and not to provide an opinion on the effectiveness of the County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
November 28, 2017



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Members of the County Council  
Howard County, Maryland

**Report on Compliance for Each Major Federal Program**

We have audited Howard County, Maryland's (the County) compliance with the types of compliance requirements described in the *OMB 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, 2017. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The County's basic financial statements include the operations of Howard County Public School System, Howard County Library, Howard Community College, and Howard County Housing Commission, discretely presented component units. Federal awards received by these discretely presented component units are not included in the County's schedule of expenditures of federal awards for the year ended June 30, 2017. Our audit, described below, did not include the operations of these discretely presented component units because other auditors were engaged to perform audits (when required) in accordance with the Uniform Guidance.

***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.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of County'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 the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

To the Honorable Members of the County Council  
Howard County, Maryland

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 the County's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the County 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 the County 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 the County'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 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 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 were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as 2017-003 and 2017-004 that we consider to be significant deficiencies.

The County's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The County's responses 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.

To the Honorable Members of the County Council  
Howard County, Maryland

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the County as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated November 28, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
March 16, 2018

**HOWARD COUNTY, MARYLAND**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2017**

Federal Program	CFDA Number	Contract/Grant ID Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>Equal Employment Opportunity Commission</b>				
Fair Employment Practices Agency Contracts	30.002	EEC45016C0092	\$ -	\$ 20,600
<b>Total Equal Employment Opportunity Commission</b>			<u>-</u>	<u>20,600</u>
<b>Environmental Protection Agency</b>				
<b>Pass-Through Maryland Department of Natural Resources</b>				
Chesapeake Bay Implementation Program	66.466	13424, 14-17-2175 CBG 6601	-	44,465
<b>Pass-Through National Fish and Wildlife Foundation</b>				
Chesapeake Bay Implementation Program	66.466	0603.15.049743	-	11,741
<b>Total Environmental Protection Agency</b>			<u>-</u>	<u>56,206</u>
<b>U.S. Department of Agriculture</b>				
Emergency Watershed Protection Program	10.923	68-3B19-17-200	-	963,988
<b>Total U.S. Department of Agriculture</b>			<u>-</u>	<u>963,988</u>
<b>U.S. Department of Health and Human Resources</b>				
<b>Pass-Through Maryland Department Of Aging</b>				
<b>Aging Cluster</b>				
Special Programs for the Aging - Title III, Part B, Supportive Services and Senior Centers	93.044	AAA-3-24-012, 17AAMDT3SS	-	170,410
Special Programs for the Aging - Title III, Part C-1 & C-2	93.045	AAA-3-24-012, 17AAMDT3CM, 17AAMDT3HD	-	440,442
Nutrition Services - Congregate & Home Delivered Meals	93.053	ST-6505-012, 17AAMDNSIP	-	37,456
Nutrition Services Incentive Program			<u>-</u>	<u>37,456</u>
<b>Aging Cluster Total</b>			<u>-</u>	<u>648,308</u>
Special Programs for the Aging - Title VII, Elder Abuse Prevention	93.041	17AAMDT7EA	-	4,429
Special Programs for the Aging - Title VII, Long Term Care Ombudsman Services	93.042	AAA-3-24-012, 17AAMDT7OM	-	15,308
Special Programs for the Aging - Title III, Part D, Disease Prevention and Health Promotion Services	93.043	AAA-3-24-012, 17AAMDT3PH	-	10,638
Special Programs for the Aging - Title IV and II Discretionary Projects - Senior Medical Patrol	93.048	ST-6534-012	-	3,591
National Family Caregiver Support - Title III, Part E	93.052	AAA-3-24-012, 17AAMDT3FC	-	88,024
Medicare Enrollment Assistance Program - MIPPA	93.071	ST-6517-012, 14AAMDMSHI, 14AAMDMAAA, 14AAMDMDADR	-	7,949
State Health Insurance Assistance Program	93.324	ST-6515-02	-	21,439
<b>Medicaid Cluster</b>				
Medical Assistance Program	93.778	6540	-	13,692
<b>Medicaid Cluster Total</b>			<u>-</u>	<u>13,692</u>
<b>Pass-Through Maryland Department of Human Resources</b>				
<b>TANF Cluster</b>				
Temporary Assistance for Needy Families - Interagency Family Preservation Services	93.558	HOW/SER/17-003	-	73,455
<b>TANF Cluster Total</b>			<u>-</u>	<u>73,455</u>
Child Support Enforcement Services/Child Support Warrants and Summons	93.563	CSEA/CRA-16-050, CSEA/CRA-17-050, CSEA/CRA-16-048, CSEA/CRA-17-048	-	122,371
<b>Pass-Through Maryland Family Network, Inc.</b>				
<b>CCDF Cluster</b>				
Child Care and Development Block Grant	93.575	G1601MDCCDF, G1501MDCCDF	-	130,258
<b>CCDF Cluster Total</b>			<u>-</u>	<u>130,258</u>
<b>Pass-Through Maryland Department of Health and Mental Hygiene</b>				
National Bio-Terrorism Hospital Preparedness Program	93.889	NA	-	6,995
<b>Total Department of Health and Human Resources</b>			<u>-</u>	<u>1,146,457</u>
<b>U.S. Department of Homeland Security</b>				
Assistance to Fire Fighters Grant Program - Fire Prevention and Safety	97.044	EMW-2015-FP-00745	-	23,581
<b>Pass-Through Maryland Emergency Management Agency</b>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4038-DR-MD, FEMA-4261-DR-MD, FEMA-4279-DR-MD	-	5,185,594
Hazard Mitigation Grant Program	97.039	HMGP-DR 03 MD 2015, FEMA-DR-4170-MD-0014	-	12,053
Emergency Management Performance Grant Program	97.042	EMW-2016-EP-00008-S01, EMW-2017-EP-00001-S01, EMW-2014-SS-00007-S01, EMW-2015-SS-00077/UASI	-	131,630
Urban Area Security Initiative Grant Program/State Homeland Security Grant Program	97.067	EMW-2016-SS-00008/UASI, EMW-2015-SS-00077, EMW-2016-SS-00008-S01, EMW-2015-SS-00007-S01	-	593,684
<b>Total Department of Homeland Security</b>			<u>-</u>	<u>5,946,542</u>



**HOWARD COUNTY, MARYLAND  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2017  
(CONTINUED)**

Federal Program	CFDA Number	Contract/Grant ID Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Housing and Urban Development</b>				
<b>CDBG - Entitlement Grants Cluster</b>				
Community Development Block Grants/Entitlement Grants	14.218	B-09-UC-24-0012, B-15-UC-24-0012, B-16-UC-24-0012	\$ 1,401,475	\$ 1,494,004
Balance of Outstanding Loans as of 6/30/2016	14.218			1,129,409
<b>CDBG - Entitlement Grants Cluster Total</b>			<b>1,401,475</b>	<b>2,623,413</b>
Home Investment Partnerships Program	14.239	M09-UC240203, M10-UC240203, M14-UC240203, M15-UC240203, M16-UC240203	252,977	361,058
Balance of Outstanding Loans as of 6/30/2016	14.239			958,321
<b>Home Investment Partnership Program Total</b>			<b>252,977</b>	<b>1,319,379</b>
Continuum of Care Program	14.267	MD0117L3B041407, MD0239L3B041503, MD0272L3B041403, MD0314L3B041400, MD0116L3B041508, MD0117L3B041508, MD0118L3B041508, MD0239L3B041604, MD0272L3B041504, MD0336L3B041500	590,672	604,396
<b>Pass-Through Maryland Department of Housing and Community Development, Division of Neighborhood Revitalization</b>				
Emergency Solutions Grant Program	14.231	16-ESG-14-2015	50,939	50,939
<b>Total Department of Housing and Urban Development</b>			<b>2,549,040</b>	<b>4,598,127</b>
<b>Department of Justice</b>				
Equitable Sharing Program	16.922	MD0140100	-	64,718
State Criminal Alien Assistance Program	16.606	2015-AP-BX-0733, 2016-AP-BX-0363	-	60,698
Edward Byrne Justice Assistance Grant Program	16.738	2014-DJ-BX-0472, 2015-DJ-BX-0286, 2016-DJ-BX-0964	-	41,219
<b>Pass-Through Governor's Office of Crime Control and Prevention</b>				
Edward Byrne Justice Assistance Grant Program	16.738	BJAG-2015-0004, BJAG-2014-0034, BJAG-2015-0018	-	58,023
Crime Victim Assistance Grant Program	16.575	VOCA-2015-1646, VOCA-2016-0033, VOCA-2015-1656, VOCA-2016-0012	-	159,071
Violence Against Women Grant Program	16.588	VAWA-2015-1415, VAWA-2016-0006	-	45,354
Residential Substance Abuse Treatment for State Prisoners - Medication Assisted Treatment	16.593	RSAT-2013-0006, RSAT-2016-0003	-	36,276
<b>Pass-Through National Children's Alliance</b>				
Improving the Investigation and Prosecution of Child Abuse Program - Maryland Children's Alliance CY16	16.758	ELLI-MD-SA16	-	8,802
<b>Total Department of Justice</b>			<b>-</b>	<b>474,161</b>
<b>U.S. Department of Labor</b>				
Pass-Through State of Maryland Department of Labor, Licensing and Regulation				
<b>WIA/WIOA Cluster</b>				
Workforce Innovation and Opportunity Act - Adult Program	17.258	P00P64MM006-A, P00P74-MM-PY16-A, P00P64MM036-A, P00P74-MM-FY17-A	-	434,177
Workforce Innovation and Opportunity Act - Youth Program	17.259	P00P64MM006-B, P00P74-MM-PY16-Y	-	611,965
Workforce Innovation and Opportunity Act - Dislocated Worker Program	17.278	P00P64MM006-C, P00P74-MM-PY16-D, P00P64MM036-C, P00P74-MM-FY17-D	-	1,634,259
<b>WIA/WIOA Cluster Total</b>			<b>-</b>	<b>2,680,401</b>
<b>Total Department of Labor</b>			<b>-</b>	<b>2,680,401</b>

**HOWARD COUNTY, MARYLAND  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2017  
(CONTINUED)**

Federal Program	CFDA Number	Contract/Grant ID Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>Department of Transportation</b>				
<b>Highway Planning and Construction Cluster</b>				
<b>Pass-Through Maryland Department of Transportation/State Highway Administration</b>				
Highway Planning and Construction Program	20.205	HO775ZM2	\$ -	\$ 763,522
<b>Pass-Through Maryland Department of Transportation/Baltimore Metropolitan Council</b>				
Highway Planning and Construction Program	20.205		\$ -	\$ 143,307
<b>Highway Planning and Construction Cluster Total</b>			-	<b>906,829</b>
<b>Pass-Through Maryland Department of Transportation/Baltimore Metropolitan Council</b>				
Metropolitan Transportation Planning Program	20.505	NA	-	35,826
<b>Pass-Through Maryland Department of Transportation/Maryland Transit Administration</b>				
<b>Federal Transit Cluster</b>				
Federal Transit Program - Ridesharing/Commuter Assistance Program	20.507	MD-95-CM17	-	130,429
<b>Federal Transit Cluster Total</b>			-	<b>130,429</b>
Capital Assistance Program - Greenhouse Gas and Energy Reduction - Electric Bus Project	20.523	MD-88-0001	-	3,016,076
<b>Pass-Through Maryland Highway Safety Office</b>				
<b>Highway Safety Cluster</b>				
State and Community Highway Safety Program - Aggressive and Distracted Driving/Occupant Protection	20.600	LE-HOWARD C-2016-011, LE-HOWARD C-2017-008	-	40,974
National Priority Safety Program - Impaired Driving	20.616	LE-HOWARD C-2016-011, LE-HOWARD C-2017-008	-	31,132
<b>Highway Safety Cluster Total</b>			-	<b>72,106</b>
Highway Safety Program - Repeat Offenders for Driving While Intoxicated	20.608	LE-HOWARD C-2016-011	-	17,112
<b>Pass-Through Maryland Emergency Management Agency</b>				
Hazardous Materials Emergency Preparedness Grant Program	20.703	HM-HMP-0468-15-01-00, HM-HMP-0546-16-01-00	-	9,458
<b>Total Department of Transportation</b>			-	<b>4,187,836</b>
<b>Total Federal Awards Expended</b>			<b>\$ 2,549,040</b>	<b>\$ 20,074,318</b>

The accompanying notes are an integral part of this schedule.

**HOWARD COUNTY, MARYLAND**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes all Federal grants to the County that had activity during the fiscal year ended June 30, 2017. The Schedule was prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of Howard County, Maryland (the County), it is not intended to and does not present the financial position, changes in net assets or cash flows of the County.

**NOTE 2 INDIRECT COSTS**

The County did not elect to use the 10% de Minimis cost rate for indirect costs.

**NOTE 3 LOAN PROGRAM**

The County has a loan program to provide low-interest loans to businesses for housing for low to moderate income persons. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the County. The loans were disbursed under CFDA 14.218 and CFDA 14.239 and the outstanding loan balances as of June 30, 2017 were \$1,129,409 and \$1,278,387, respectively.

**HOWARD COUNTY, MARYLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2017**

**I. SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____	Yes	<u>  X  </u>	No
Significant deficiency(ies) identified that is not considered to be a material weakness?	<u>  X  </u>	Yes	_____	None reported
Noncompliance material to financial statements noted?	_____	Yes	<u>  X  </u>	No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?	_____	Yes	<u>  X  </u>	No
Significant deficiency(ies) identified that is not considered to be a material weakness.	<u>  X  </u>	Yes	_____	None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u>  X  </u>	Yes	_____	No
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**Identification of Major Programs**

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number(s)</u>
Emergency Watershed Protection Program	10.923
Highway Planning and Construction Program	20.205
Capital Assistance Program	20.523
Disaster Grants - Public Assistance	97.036
HOME Investment Partnerships	14.239

Dollar threshold used to distinguish between type A and type B programs \$ 750,000

Auditee qualified as low-risk auditee?	_____	Yes	<u>  X  </u>	No
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**HOWARD COUNTY, MARYLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2017**

**II. FINANCIAL STATEMENT FINDINGS**

**Significant Deficiency**

**Finding 2017-001 – Pooled Cash Unreconciled Difference**

***Condition***

The County maintains its cash, cash equivalents and investments in a pooled cash and investment fund (Fund 999) for efficiency and to maximize earnings. As of June 30, 2017 the pooled account contained unreconciled differences. In addition, the total amount reported for the cash and investment pool was not properly allocated between the funds that have an ownership interest in the pool.

***Criteria***

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Framework states that control activities are a component of internal control. Control activities are policies and procedures established to ensure that management directives are carried out, and consist of two elements, a policy that establishes what should be done and the procedure that implements the policy. COSO Framework states that control activities must be in place for there to be adequate internal control procedures over financial reporting. Internal control procedures affect the County's ability to ensure financial transactions are authorized and accurate.

***Context***

An unreconciled difference was noted between the Equity in Pooled Cash fund (Fund 999) general ledger balance and the bank balances.

***Effect***

Equity in pooled cash and equivalents accounts recorded in the fund-level financial statements are understated. The County passed on making an audit adjustment.

***Cause***

The County does not have an established procedure in place to periodically reconcile the fund level equity in pooled cash and equivalents accounts to the Equity in Pooled Cash fund's balances and the full amount of accrued interest was not recorded by management as of June 30, 2017.

***Recommendation***

We recommend the County implement policies and procedures to ensure the fund level equity in pooled cash and equivalents accounts are reconciled to the Equity in Pooled Cash fund and the reconciled bank accounts on a periodic basis (i.e. monthly or quarterly).

***Management Response***

Management agrees with the finding and will ensure on a periodic basis that the pooled cash account at the financial statement fund level reconciles to the balance in the pooled cash fund.

**HOWARD COUNTY, MARYLAND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2017**

**Significant Deficiency**

**Finding 2017-002 – Adjustment to Deferred Inflows for Water and Sewer Assessments**

***Condition***

In prior years, the County recorded a deferred inflow related to the interest receivable portion of the water and sewer assessments, which is not in accordance with Generally Accepted Accounting Principles (GAAP).

***Criteria***

According to Generally Accepted Accounting Principles (GAAP), interest should not be recorded until incurred and deferred inflows are only to be used when specifically defined by GASB.

***Context***

Deferred inflows of \$10,977,438 related to water and sewer assessments was improperly recorded in the prior year.

***Effect***

An adjustment was recorded to remove the deferred inflows balance and reduce the accounts receivable balance for the interest not yet incurred.

***Cause***

The error was not detected through supervisory review.

***Recommendation***

We recommend the County continually monitor the recording of their accounts to ensure they are properly recorded in accordance with GAAP.

***Management Response***

Management had previously addressed a comment from the GFOA on the deferred inflows in the FY2015 CAFR and, since no subsequent comment have ever been received, believe that the issue was corrected. Nevertheless, management agrees with the finding and, as new accounting standards are adopted, will perform a review of all accounting to ensure compliance with current GAAP.

### **III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

#### **Finding Reference: 2017-003**

Federal Agency:	Department of Transportation Department of Agriculture
Federal Program Title and CFDA Number:	Highway Planning and Construction Program (20.205) Capital Assistance Program (20.523) Emergency Watershed Protection Program (10.923)
Compliance Requirement: Type of Finding:	Suspension and Debarment Significant Deficiency in Internal Control Over Compliance
Award Period:	July 1, 2015 to June 30, 2018 August 1, 2012 to September 30, 2017 October 31, 2016 to September 28, 2017

#### **Criteria or specific requirement:**

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction.

#### **Condition:**

There was no documentation maintained to support the County's review or contract language to ensure vendors were not suspended or debarred before entering into contract with them.

#### **Questioned Costs:**

None

#### **Context:**

Per review of the System of Award Management website, none of the vendors tested are currently suspended or debarred. However, grant agreements mandate vendors' status is reviewed before entering into contract and this documentation is maintained.

#### **Cause:**

The County did not sufficiently monitor vendor reviews to ensure compliance with the requirements. Across the three grants awards where this requirement was tested five out of eight contracts tested documentation was not maintained to support the requirement.

#### **Effect:**

The County could have entered into a contract with a suspended or debarred vendor.

#### **Recommendation:**

We recommend the County establish procedures to obtain and retain documentation of the review vendors' suspension and debarment status prior to entering into contract or include language in vendor contracts certifying the vendor is not suspended or debarred.

#### **Views of responsible officials:**

The County concurs with the finding and recommendation. Management will ensure that documentation of the review of vendors' suspension and debarment status prior to entering into a contract is retained or that language is included in the vendor contracts certifying the vendor is not suspended or debarred.

**Finding Reference: 2017-004**

Federal Agency:	Department of Housing and Urban Development
Federal Program Title and CFDA Number:	HOME Investment Partnerships Program (14.239)
Compliance Requirement:	Earmarking
Type of Finding:	Significant Deficiency in Internal Control Over Compliance, Noncompliance
Award Period:	July 1, 2016 to June 30, 2017

**Criteria or specific requirement:**

Each participating jurisdiction must invest HOME funds made available during a fiscal year so that, with respect to tenant-based rental assistance and rental units not less than 90 percent of the families receiving assistance are families whose annual income do not exceed 60 percent of the median family income for the area, as determined and made available by HUD, with adjustments for smaller and larger families at the time of occupancy or at the time funds are invested, whichever is later, or the dwelling units assisted with such funds are occupied by families having such incomes.

**Condition/Context:**

The County did not meet the 90% compliance requirement as noted above. Per review of the HOME Summary of Accomplishments for Program Year 2016, the County provided tenant-based rental assistance to four families, only two of which did not exceed the threshold of 60% of the area's median family income.

**Questioned Costs:**

None

**Cause:**

The County's controls were insufficient to ensure the earmarking requirement was met.

**Effect:**

The County was not in compliance with the earmarking requirement.

**Recommendation:**

We recommend the County establish procedures to effectively monitor the earmarking compliance requirements of the grant.

**Views of responsible officials:**

The County concurs with the finding and recommendation. The staff of the Community Planning and Grants Division will set the income limits to at or below sixty- percent of the area median income as established by HUD for the Baltimore-Towson-Columbia MSA for all future rental projects. This change will ensure that the County will adhere to the earmarking requirement of ninety percent of the total households assisted through the rental or tenant based rental assistance (TBRA) program having gross annual incomes that do not exceed sixty percent of the area median income.





## HOWARD COUNTY DEPARTMENT OF FINANCE

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### HOWARD COUNTY, MARYLAND CORRECTIVE ACTION PLAN YEAR ENDED JUNE 30, 2017

Howard County respectfully submits the following corrective action plan for the year ended June 30, 2017.

#### **Audit Period: June 30, 2017**

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

#### **FINDINGS - FINANCIAL STATEMENT AUDIT**

##### **Significant Deficiency**

##### **Finding 2017-001 – Pooled Cash Unreconciled Difference**

###### ***Condition***

The County maintains its cash, cash equivalents and investments in a pooled cash and investment fund (Fund 999) for efficiency and to maximize earnings. As of June 30, 2017, the pooled account contained unreconciled differences. In addition, the total amount reported for the cash and investment pool was not properly allocated between the funds that have an ownership interest in the pool.

###### ***Criteria***

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Framework states that control activities are a component of internal control. Control activities are policies and procedures established to ensure that management directives are carried out, and consist of two elements, a policy that establishes what should be done and the procedure that implements the policy. COSO Framework states that control activities must be in place for there to be adequate internal control procedures over financial reporting. Internal control procedures affect the County's ability to ensure financial transactions are authorized and accurate.

###### ***Context***

An unreconciled difference was noted between the Equity in Pooled Cash fund (Fund 999) general ledger balance and the bank balances.

###### ***Effect***

Equity in pooled cash and equivalents accounts recorded in the fund-level financial statements are understated. The County passed on making an audit adjustment.

**Cause**

The County does not have an established procedure in place to periodically reconcile the fund level equity in pooled cash and equivalents accounts to the Equity in Pooled Cash fund's balances and the full amount of accrued interest was not recorded by management as of June 30, 2017.

**Recommendation**

We recommend the County implement policies and procedures to ensure the fund level equity in pooled cash and equivalents accounts are reconciled to the Equity in Pooled Cash fund and the reconciled bank accounts on a periodic basis (i.e. monthly or quarterly).

**Management Response**

Management agrees with the finding and will ensure on a periodic basis that the pooled cash account at the financial statement fund level reconciles to the balance in the pooled cash fund.

Name of Contact Person: Angela Price

Planned Completion date for the corrective action plan: June 30, 2018

**Significant Deficiency**

**Finding 2017-002 – Adjustment to Deferred Inflows for Water and Sewer Assessments**

**Condition**

In prior years, the County recorded a deferred inflow related to the interest receivable portion of the water and sewer assessments, which is not in accordance with Generally Accepted Accounting Principles (GAAP).

**Criteria**

According to Generally Accepted Accounting Principles (GAAP), interest should not be recorded until incurred and deferred inflows are only to be used when specifically defined by GASB.

**Context**

Deferred inflows of \$10,977,438 related to water and sewer assessments was improperly recorded in the prior year.

**Effect**

An adjustment was recorded to remove the deferred inflows balance and reduce the accounts receivable balance for the interest not yet incurred.

**Cause**

The error was not detected through supervisory review.

**Recommendation**

We recommend the County continually monitor the recording of their accounts to ensure they are properly recorded in accordance with GAAP.

**Management Response**

Management had previously addressed a comment from the GFOA on the deferred inflows in the FY2015 CAFR and, since no subsequent comment have ever been received, believe that the issue was corrected. Nevertheless, management agrees with the finding and, as new accounting standards are adopted, will perform a review of all accounting to ensure compliance with current GAAP.

Name of Contact Person: Angela Price

Planned Completion date for the corrective action plan: June 30, 2018

**FINDINGS—FEDERAL AWARD PROGRAMS AUDITS**

**Finding Reference: 2017-003**

Federal Agency:	Department of Transportation Department of Agriculture
Federal Program Title and CFDA Number:	Highway Planning and Construction Program (20.205) Capital Assistance Program (20.523) Emergency Watershed Protection Program (10.923)
Compliance Requirement:	Suspension and Debarment
Type of Finding:	Significant Deficiency in Internal Control Over Compliance
Award Period:	July 1, 2015 to June 30, 2018 August 1, 2012 to September 30, 2017 October 31, 2016 to September 28, 2017

**Criteria or specific requirement:**

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction.

**Condition:**

There was no documentation maintained to support the County's review or contract language to ensure vendors were not suspended or debarred before entering into contract with them.

**Questioned Costs:**

None

**Context:**

Per review of the System of Award Management website, none of the vendors tested are currently suspended or debarred. However, grant agreements mandate vendors' status is reviewed before entering into contract and this documentation is maintained.

**Cause:**

The County did not sufficiently monitor vendor reviews to ensure compliance with the requirements. Across the three grants awards where this requirement was tested five out of eight contracts tested documentation was not maintained to support the requirement.

**Effect:**

County could have entered into a contract with a suspended or debarred vendor.

**Recommendation:**

We recommend the County establish procedures to obtain and retain documentation of the review vendors' suspension and debarment status prior to entering into contract or include language in vendor contracts certifying the vendor is not suspended or debarred.

**Views of responsible officials:**

The County concurs with the finding and recommendation. Management will ensure that documentation of the review of vendors' suspension and debarment status prior to entering into a contract is retained or that language is included in the vendor contracts certifying the vendor is not suspended or debarred.

**Action taken in response to the finding:**

When the County enters into a covered transaction with an entity at a lower tier, the County will verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction and will ensure that the documentation of the review is properly retained.

The County will accomplish this verification by requiring grants managers to:

- (1) Check the System for Award Management (SAM) Exclusions maintained by the General Services Administration (GSA) and available at <https://www.sam.gov/portal/public/SAM/>.

The County will update its policies and procedures to include a step-by-step guide to checking for exclusions on sam.gov. (See Attachment 1 for procedures for checking for exclusions on sam.gov).

Or

- (2) Collect a Certification from the Entity  
The County will require grants managers to obtain a suspension and debarment certification from the entity who will be participating in a covered transaction at the lower tier. The certification will be inserted into all procurement agreements and will be retained as part of the County's procurement records.

Name of Contact Person: Angela Price

Planned Completion date for the corrective action plan: June 30, 2018

**Finding Reference: 2017-004**

Federal Agency: Department of Housing and Urban Development  
Federal Program Title and CFDA Number: HOME Investment Partnerships Program (14.239)  
Compliance Requirement: Earmarking  
Type of Finding: Significant Deficiency in Internal Control Over Compliance, Noncompliance  
Award Period: July 1, 2016 to June 30, 2017

**Criteria or specific requirement:**

Each participating jurisdiction must invest HOME funds made available during a fiscal year so that, with respect to tenant-based rental assistance and rental units not less than 90 percent of the families receiving assistance are families whose annual income do not exceed 60 percent of the median family income for the area, as determined and made available by HUD, with adjustments for smaller and larger families at the time of occupancy or at the time funds are invested, whichever is later, or the dwelling units assisted with such funds are occupied by families having such incomes.

**Condition/Context:**

The County did not meet the 90% compliance requirement as noted above. Per review of the HOME Summary of Accomplishments for Program Year 2016, the County provided tenant-based rental assistance to four families, only two of which did not exceed the threshold of 60% of the area's median family income.

**Questioned Costs:**

None

**Cause:**

The County's controls were insufficient to ensure the earmarking requirement was met.

**Effect:**

The County was not in compliance with the earmarking requirement.

**Recommendation:**

We recommend the County establish procedures to effectively monitor the earmarking compliance requirements of the grant.

**Views of responsible officials:**

The County concurs with the finding and recommendation. The staff of the Community Planning and Grants Division will set the income limits to at or below sixty- percent of the area median income as established by HUD for the Baltimore-Towson-Columbia MSA for *all future rental* projects. This change will ensure that the County will adhere to the earmarking requirement of *ninety percent* of the total households assisted through the rental or tenant based rental assistance (TBRA) program having gross annual incomes that do not exceed *sixty percent* of the area median income.

**Action taken in response to the finding:**

To ensure that this earmarking requirement is met in all future HOME rental activities, the County will make the following changes *immediately*.

- 1. Update the HOME Program Policy Manual to include language of the earmarking requirement in sections 9 and 12 of the existing document as follows:**

**Section 9 - Funding Priority:**

Funding priority will be given to projects that; *Provide rental units for persons at or below sixty percent of the area median income and for projects that have five (5) or more HOME units, at least twenty percent should be occupied by individuals or families who have gross annual incomes that are fifty percent or less of the area median income.*

**Section 12 - Ineligible Activities**

HOME funds may not be used to provide a project reserve account (except as allowed in section 92.206(d) (5) of the regulations) or operating subsidies; tenant based rental assistance with an existing Section 8 program; non-federal matching contributions for other federal programs; annual contributions to the operations of public housing; and other prohibitions as outlined in section 92.214 of the HOME regulations. The County will not use HOME funds for any of these activities.

*Activities that do not satisfy the statutory requirements of the HOME program rule will not be considered and will be deemed ineligible. At least ninety percent of all units created should be created for persons at or below sixty percent of the area median income and for projects that have more than five (5) HOME units, at least twenty percent should be occupied by individuals or families who have gross annual incomes that are fifty percent or less of area median income.*

- 2. Update the language in all future HOME Loan Agreements for Rental Projects**

Subsections 6 of Article I. B shall be amended as follows:

The HILP Loan shall be made on the following terms and conditions and shall comply with the following requirements:

The Borrower shall execute a binding covenant in form and substance satisfactory to the County that (a) the Project shall be maintained as a "single room occupancy unit" "group home" or affordable unit as defined in Section 13. 600(a) of the HILP Act, available for occupancy on a continuous basis to the general public (and (b) all residents of the Project shall be persons whose annual income does not exceed *sixty percent* of the area median income.

***Where applicable, corresponding changes will be made to the Regulatory Agreement, Deed of Trust and Deed of Trust Note for all future rental projects.***

**3. Include this criteria on the HOME Program Request for Proposals (RFP) Application**

Page 5 of the HOME Program RFP application, Section on *Program Description* with sub-heading *Eligible Activities* for HOME funds shall be amended to include special conditions applicable to the use of HOME funds as follows:

*Participating jurisdictions must ensure that 90 percent of the total households assisted through the rental or TBRA program (counted together) have gross annual incomes that do not exceed sixty percent of the area median income. The balance of rental units and TBRA assistance must assist tenants with incomes that do not exceed eighty percent of the area median income. This rule applies to all funds expended from each fiscal year's allocation and is not project specific. Also, in projects of five or more HOME-assisted units, at least twenty percent of the HOME-assisted rental units must be occupied by families who have gross annual incomes that are fifty percent or less of area median income; and these tenants must occupy units with rent at or below the Low HOME rent limit.*

Name of Contact Person: Elizabeth Meadows

Planned Completion date for the corrective action plan: June 30, 2018

## **ATTACHMENT I:**

### **Procedures for checking for exclusions on sam.gov**

1. Go to [www.sam.gov](http://www.sam.gov)
2. Select Search Records from the main navigation menu.
3. Search for exclusion records either via Quick Search or Advanced Search – Exclusions. Quick Search will return both entity registration and exclusion records if there are results matching the search criteria.
4. Search by the entity's name, DUNS Number, or CAGE Code.  
(NOTE: Individuals are not assigned DUNS Numbers. To check for an exclusion against an individual, search by the individual's name)
5. Advanced Search – Exclusions provide three ways to search for exclusion records in SAM. Select a radio button corresponding to the category header that best describes how you want to search. The accordion will expand to show the search criteria. Only one approach can be used at a time.
6. To search for exclusion records within a certain date range, use the Single Search approach.
7. To search for up to six excluded party at a time, use the Multiple Names approach.
8. If the SSN/TIN approach is selected, the name and SSN or TIN you enter must match exactly with what is contained on an exclusion record for the result to be returned.
9. Make sure to interpret the exclusion record carefully as names can be similar.