

*Terry Flantz*

**ALLEGANY COUNTY, MARYLAND  
SINGLE AUDIT REPORT  
JUNE 30, 2002**

**TURNBULL, HOOVER & KAHL, P.A.**  
*Certified Public Accountants*

**ALLEGANY COUNTY, MARYLAND  
SINGLE AUDIT REPORT  
TABLE OF CONTENTS**

Independent Auditor's Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards	1 - 2
Independent Auditor's Report On Compliance With Requirements Applicable To Each Major Program And Internal Control Over Compliance In Accordance With OMB Circular A-133	3 - 4
Schedule of Expenditures of Federal Awards	5 - 7
Notes to Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	9
Schedule of Prior Audit Findings	10

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## Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

To the Board of Allegany  
County Commissioners

We have audited the general-purpose financial statements of Allegany County, Maryland as of and for the year ended June 30, 2002, and have issued our report thereon dated November 6, 2002. Our report was modified to refer to the reports of other auditors. We conducted our audit in accordance with 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.

### Compliance

As part of obtaining reasonable assurance about whether Allegany County, Maryland's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Allegany County, Maryland's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and may not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Board of Commissioners of Allegany County, Maryland, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Turnbull, Hoover ; Kahl, P.A.*

November 6, 2002

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Independent Auditor's Report on Compliance  
with Requirements Applicable to Each  
Major Program and Internal Control Over  
Compliance in Accordance with OMB Circular A-133

To the Board of Allegany  
County Commissioners

Compliance

We have audited the compliance of Allegany County, Maryland with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. Allegany 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Allegany County, Maryland's management. Our responsibility is to express an opinion on Allegany County, Maryland's compliance based on our audit.

Allegany County's general purpose financial statements include the operations of the Allegany County Board of Education and Allegany College of Maryland, which received \$10,934,857 and \$3,690,706 of federal awards, respectively, which are not included in the schedule during the year ended June 30, 2002. Our audit described below, did not include the operations of the Allegany County Board of Education and Allegany College of Maryland because the component units engaged other auditors to perform an audit in accordance with OMB Circular A-133.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Allegany County, Maryland's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Allegany County, Maryland's compliance with those requirements.

In our opinion, Allegany County, Maryland complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

#### Internal Control Over Compliance

The management of Allegany County, Maryland is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Allegany County, Maryland's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

#### Schedule of Expenditures of Federal Awards

We have audited the general-purpose financial statements of Allegany County, Maryland as of and for the year ended June 30, 2002, and have issued our report thereon dated November 6, 2002. Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Commissioners of Allegany County, Maryland, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Tumbull, Hoover ; Kahl, P.A.*

November 6, 2002

**ALLEGANY COUNTY, MARYLAND  
PRIMARY GOVERNMENT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2002**

	FEDERAL CFDA NUMBER	FEDERAL GRANT NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM/ AWARD AMOUNT	EXPENDITURES	PASS THROUGH TO SUBRECIPIENTS
<b>US Dept. of Agriculture:</b>						
Direct:						
Rural Development:						
Cash Valley Road Sewer grant	10.770	N/A	N/A	100,600	\$15,863	-
Grahamtown Waterline Ext. - Loan	10.770	N/A	N/A	600,000	600,000	-
Grahamtown Waterline Ext. - Grant	10.770	N/A	N/A	1,000,000	182,212	-
Oldtown Road Water - Route 51	10.770	N/A	N/A	1,100,000	-	-
Oldtown Road Sewer Grant	10.770	N/A	N/A	1,392,500	43,375	-
Carlos/Shaft Water Grant	10.770	N/A	N/A	1,661,000	-	-
Natural Resource Conservation Service Dry Run Watershed	10.904	68-3B19-0-410	N/A	1,875,000	1,008,993	-
Indirect:						
Food and Nutrition Service:						
Pass through Maryland Dept Of Human Resources						
Food Distribution To The Needy	10.550	N/A	CSA/FNS 99-001-A2	12,300	4,859	4,859
Food Distribution To The Needy	10.550	N/A	CSA/FNS 2001	11,685	7,714	7,714
Pass through Maryland Dept. of Education:						
Summer Camp Program	10.559	N/A	N/A	N/A	2,440	2,440
<b>Total US Department of Agriculture</b>					<b>1,865,456</b>	<b>15,013</b>
<b>US Department of Commerce:</b>						
Direct:						
Economic Development Administration:						
Renovations To Former PPG Plant	11.300	01-01-03723	N/A	995,000	33,375	-
Allegany Business Center At Frostburg	11.307	01-79-03880	N/A	550,000	162,082	-
<b>Total US Department of Commerce</b>					<b>195,457</b>	<b>-</b>
<b>US Dept. of Housing and Urban Development</b>						
Indirect:						
Community Planning and Development						
CDBG Project Income - Lonaconing	14.228	N/A	N/A	N/A	2,284	-
CDBG Project Income - Housing	14.228	N/A	N/A	N/A	2,124	-
CDBG Project Income - Economic Opportunity	14.228	N/A	N/A	N/A	-	-
Pass Through Md Dept of Housing & Community Development						
Hunter Douglas Expansion	14.228	N/A	MD-00-ED-71	450,730	35,079	-
George's Creek Sewer Improvements	14.228	N/A	MD-02-CD-23	475,000	10,146	-
Housing Rehabilitation Program	14.228	N/A	MD-99-CD-1	25,000	-	-
Housing Rehabilitation Program	14.228	N/A	MD-01-CD-25	320,000	221,646	-
Bowman's Addition Demolition	14.228	N/A	MD-01-CD-35	275,700	243,861	-
Emergency Shelter Grant Program	14.231	N/A	2001-ESG-BOS-1	34,380	17,232	-
Emergency Shelter Grant Program	14.231	N/A	2000-ESG-BOS-1	38,120	22,340	-
Senior Home Repair Program	14.239	N/A	N/A	N/A	-	-
Special Target Area Program	14.239	N/A	N/A	N/A	14,132	-
Community Planning and Development Passed through Maryland Dept. of Human Resources						
Supportive Housing Program	14.235	N/A	CSA/SHP 01-003	198,132	125,416	125,416
Passed through Maryland Dept. of Economic and Community Development:						
Section 8 Existing	14.856	P-3507	MD06-E020	N/A	2,144	-
Section 8 Mod Rehab	14.856	P-3525	MD06-K020	N/A	16,801	-
Section 8 Voucher Program	14.871	P-3507V	MD06-V020	N/A	584,178	-
<b>Total US Department of HUD</b>					<b>1,297,383</b>	<b>125,416</b>

**ALLEGANY COUNTY, MARYLAND  
PRIMARY GOVERNMENT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2002**

	FEDERAL CFDA NUMBER	FEDERAL GRANT NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM/ AWARD AMOUNT	EXPENDITURES	PASS THROUGH TO SUBRECIPIENTS
<b>US Department of Justice:</b>						
Indirect:						
Passed through MD State Police Marijuana Eradication	16.579	N/A	N/A	N/A	471	-
Passed through Governor's Office of Crime Control & Prevention Family Violence Coordinating Council	16.579	N/A	BYRN-2000-1076	11,000	11,000	11,000
HotSpot-Nuisance Abatement	16.579	N/A	BYRN-2000-0406	9,454	3,046	-
Domestic Violence Prosecutor	16.588	N/A	VAWA-2000-0040	21,015	21,015	-
Local Law Enforcement Block Grant	16.592	N/A	LLEB-2000-1009	15,950	14,355	-
<b>Total US Department of Justice:</b>					<u>49,887</u>	<u>11,000</u>
<b>US Dept. of Transportation:</b>						
Indirect:						
Federal Highway Administration Passed through Maryland Department of Transportation Town Creek Bridge	20.205	BRO-1 (540) E	AL790BM2	981,815	399,605	-
Allegheny Highlands Trail	20.205		ARC-MD-10952-C7	10,000	-	-
Urban Mass Trans. Admin:						
Passed through Maryland Department of Transportation Capital Assistance	20.500	MD-03-0055-01	MD-03-0055-01		-	-
Capital Assistance	20.507	MD-90-0043	MD-90-0043		4,544	-
Capital Assistance	20.507	MD-90-0063	MD-90-0063		20,232	-
Capital Assistance	20.507	MD-90-0069	MD-90-0069		8,442	-
Operating Assistance (FY01)	20.507	MD-90-4074	MD-90-4074	33,681	-	-
Operating Assistance (FY01)	20.507	MD-90-4077	MD-90-4077	168,506	-	-
Operating Assistance (FY01)	20.507	MD-18-4018	MD-18-4018	69,827	-	-
Operating Assistance (FY02)	20.507	MD-18-4019	MD-18-4019	59,333	59,333	-
Job Access & Reverse Commute	20.516	MD-37-4003	MD-37-4003	61,500	61,500	-
Urban Mass Trans. Admin. & Federal Highway Administration Passed through Maryland Department of Transportation Unified Planning Work Program 02						
	20.505	N/A	N/A	80,840	58,339	-
Federal Highway Administration Passed through Maryland Department of Transportation Traffic Safety Div. EMT Training Upgrade						
	20.215	N/A	N/A	24,520	12,394	-
Federal Highway Administration Passed through Maryland Department of Transportation and Allegany County Health Department Highway Safety Program						
	20.600	N/A	N/A	3,700	2,114	-
<b>Total US Department of Transportation</b>					<u>626,503</u>	<u>-</u>
<b>Appalachian Regional Commission:</b>						
Direct:						
Passed through US Dept of Commerce Economic Development Administration Renovations To Former PPG Plant	23.002	01-01-03723	N/A	625,000	22,250	-
Allegany Business Center At Frostburg	23.002	01-79-03880	N/A	462,000	138,069	-
Indirect:						
Passed through Maryland Office of Planning Comprehensive Plan Update	23.011	N/A	ARC-10952-C9	30,000	30,000	-
Lonaconing Comprehensive Plan	23.011	N/A	ARC 10952-96	9,000	-	-
<b>Total Appalachian Regional Commission</b>					<u>190,319</u>	<u>-</u>



**ALLEGANY COUNTY, MARYLAND  
PRIMARY GOVERNMENT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2002**

	FEDERAL CFDA NUMBER	FEDERAL GRANT NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM/ AWARD AMOUNT	EXPENDITURES	PASS THROUGH TO SUBRECIPIENTS
<b>Environmental Protection Agency</b>						
Indirect:						
Passed through Md Dept of Natural Resources						
Georges Creek Watershed Restoration						
Strategies Plan						
	66.460	C9003497-99-0		45,000	27,673	-
Lonaconing Island Restoration						
	66.460			57,500	47,472	-
<b>Total Environmental Protection Agency</b>					<u>75,145</u>	<u>-</u>
<b>Federal Emergency Management Agency:</b>						
Direct:						
Disaster Resistant Community						
	83.551	EMW-97-GR-0525	N/A	39,125	19,213	
Disaster Resistant Community - Prog Inc						
	83.551	EMW-97-GR-0525			14,499	
Disaster Resistant Community						
	83.551	EMW-97-GR-0525	N/A	1,002,500	1,228	-
Indirect:						
Hazard Mitigation						
Passed through Maryland Emergency						
Georges Creek Flood Mitigation						
	83.548	N/A	N/A		865,651	-
Locust Grove Property Acquisition						
	83.548	N/A	N/A	308,230	58,641	-
State and Local Programs Support						
Passed through Maryland Emergency						
and Civil Defense Agency:						
Civil Defense FY 2002						
	83.552	N/A	N/A	N/A	23,480	-
Civil Defense FY 2001						
	83.552	N/A	N/A	N/A	15,355	-
<b>Total Federal Emergency Management Agency</b>					<u>998,067</u>	<u>-</u>
<b>US Department of Health and Human Services:</b>						
Indirect:						
Administration for children and families:						
Pass through Maryland Dept. of						
Human Resources and Allegany						
County Dept of Social Services						
Child Specific Benefit Program						
	93.596	N/A	ACDSS/FIA 2002-017	2,700	2,649	2,649
Daycare/After School Center (TANF)						
	93.596	N/A	ACDSS/FIA 2001-002	98,000	3,220	3,220
Daycare/After School Center (TANF)						
	93.596	N/A	ACDSS/CCA 2002-001	188,935	188,935	188,935
Job/Readiness/Work Experience						
	93.596	N/A	ACDSS/FIA 2002-009	24,750	22,251	22,251
Job/Readiness/Work Experience						
	93.596	N/A	ACDSS/FIA 2001-010	24,000	2,831	2,831
Family Support Administration:						
Pass through Maryland Dept. of						
Human Resources:						
Child Support Enforcement						
	93.563	N/A	CSEA/CR-02-001	146,169	128,007	
Masters Program						
	93.563	N/A	CSEA/CR-03-003	90,329	88,605	-
<b>Total US Department of Health and Human Services</b>					<u>436,498</u>	<u>219,886</u>
<b>Total Expenditures of Federal Awards</b>					<u>\$ 5,734,715</u>	<u>\$ 371,315</u>

**ALLEGANY COUNTY, MARYLAND**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2002**

Note 1.            Summary of Significant Accounting Policies

Basis of Presentation

This schedule has been prepared on the modified accrual basis of accounting in accordance with generally accepted accounting principles in order to facilitate comparability to the County's general purpose financial statements prepared on the same basis of accounting.

The accompanying Schedule of Expenditures of Federal Awards includes all financial activity of Allegany County Primary Government Unit only. The General Purpose Financial Statements for the Allegany County Reporting Entity include the following component units in accordance with Governmental Accounting Standards Board ("GASB") Statement 14 who are responsible for administering their own Federal programs and submitting their own Single Audit reports, if necessary.

- Allegany County Board of Education
- Allegany County Library System
- Allegany College of Maryland
- LaVale Sanitary Commission

Note 2.            Oversight Agency

The United States Department Agriculture has been designated oversight audit agency for Allegany County, Maryland.

**ALLEGANY COUNTY, MARYLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2002**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of Allegany County, Maryland.
2. No reportable conditions relating to the general-purpose financial statements of Allegany County, Maryland are reported in the Independent Auditor's Report on Compliance and Internal Control over Financial Reporting.
3. No instances of noncompliance material to the general-purpose financial statements of Allegany County, Maryland were disclosed during the audit.
4. No reportable conditions relating to the audit of major federal award programs are reported in the Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance.
5. The auditor's report on compliance for the major federal award programs for Allegany County, Maryland expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award programs for Allegany County, Maryland to be reported in Part C of this Schedule.
7. The programs tested as major programs include:

Section 8 Existing	14.856
Section 8 Mod Rehab	14.856
Section 8 Voucher Program	14.871
Community Planning and Development	14.228
Rural Development	10.770

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Allegany County, Maryland qualified as a low risk auditee.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

None

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS  
AUDIT**

None

**ALLEGANY COUNTY, MARYLAND  
SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2002**

None