

CALVERT COUNTY, MARYLAND

**Single Audit Together with
Reports of Independent Public Accountants**

For the Year Ended June 30, 2015



SB & COMPANY, LLC
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JUNE 30, 2015

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

County Commissioners of Calvert County
Prince Frederick, Maryland

Report on the Financial Statements

We have audited the accompanying 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 the County Commissioners of Calvert County, Maryland (the County), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements.

Management's Responsibility for the Financial Statements

The County's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Board of Education of Calvert County, Maryland. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, are based on the reports of the 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows, and the respective budget and actual statements for the general fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13 to the financial statements, during the year ended June 30, 2015, the County adopted new accounting guidance from Government Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions”. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, the schedules of changes in County’s net pension liability and related ratios, the schedules of County contributions, and schedules of investment returns for the Volunteer Fire and Rescue Pension fund, Sheriff’s Department Pension Plan and Employees Retirement Plan and the schedules of funding progress and employer contributions for the Other Post-Employment Benefits (OPEB) Plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, statistical tables and the combining and individual nonmajor funds and other schedules and the Schedule of Expenditures of Federal Awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual non major funds and other schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information in the combining and individual non major fund and other schedules and the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the County's internal control over financial reporting and compliance.

Hunt Valley, Maryland
December 18, 2015

A handwritten signature in black ink that reads "SB & Company, LLC".



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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS 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***

County Commissioners of Calvert County
Prince Frederick, Maryland

We have audited, 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, 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 Calvert County, Maryland (the County) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 18, 2015. Our report includes a reference to other auditors who audited the financial statements of the Board of Education of Calvert County, Maryland, as described in our report on the City's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

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 opinions 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 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 the internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of 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 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.

Hunt Valley, Maryland
December 18, 2015

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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON
COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

County Commissioners of Calvert County
Prince Frederick, Maryland

Report on Compliance for Each Major Federal Program

We have audited the compliance of Calvert County, Maryland (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *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, 2015. The County's major Federal programs are identified in the summary of independent public accountants' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

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



The County's basic financial statements include the operations of the Board of Education of Calvert County, Maryland, which received Federal awards that are not included in the accompanying Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of these entities because the State engaged other auditors to perform a separate audit in accordance with OMB Circular A-133.

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 on 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, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the compliance requirements referred to above that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2015-001. Our opinion on each major Federal program is not modified with respect to these matters.

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

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 compliance audit, 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 as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and for each major Federal programs and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be a significant deficiency.

The County's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hunt Valley, Maryland
March 7, 2016

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CALVERT COUNTY, MARYLAND

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Award or Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Department of Homeland Security			
Homeland Security FFY 13	97.067	EMW-2013-SS-0002	\$ 47,706
Calvert Cliffs Acquisition / Demolition Project	97.039	FEMA DR-1875-MD-0022	599,747
Total Department of Homeland Security			<u>647,453</u>
Executive Office of the President			
HIDTA	95.001	I-2015CAL	6,875
Total Executive Office of the President			<u>6,875</u>
Department of Health & Human Services			
State Health Insurance Program	93.324	ST-2515-005	11,054
Title III E Family Caregivers FFY 15	93.052	AAA-3-24-005	15,175
Title III E Family Caregivers FFY 14	93.052	AAA-3-24-005	7,378
Title III D Preventive Health & Medicated Mgmt FFY 15	93.043	AAA-3-24-005	1,469
Title III C-2 Meals FFY 14	93.045	AAA-3-24-005	17,708
Title III C-2 Meals FFY 15	93.045	AAA-3-24-005	37,171
Title III C-1 Meals FFY 14	93.045	AAA-3-24-005	23,313
Title III C-1 Meals FFY 15	93.045	AAA-3-24-005	72,528
Title III B Support FFY 14	93.044	AAA-3-24-005	13,358
Title III B Support FFY 15	93.044	AAA-3-24-005	43,456
OMBUDSMAN FFY14	93.044	AAA-3-24-005	2,589
Title III G Ombudsman FFY 15	93.044	AAA-3-24-005	216
Community First Choice	93.unknown	Unknown	82,064
Outpatient Substance Abuse	93.959	AL-005-OPE	103,345
Sheriff - Child Support Enforcement FFY 15	93.563	CSEA/CRA-15-038	239,696
Sheriff - Child Support Enforcement FFY 14	93.563	CSEA/CRA-14-038	76,668
State's Attorney - Non Support Grant FFY 14	93.563	CSEA/CRA-14-007	62,911
State's Attorney - Non Support Grant FFY 15	93.563	CSEA/CRA-15-007	200,927
Domestic Master - Child Support FFY 15	93.563	CSEA/CRA-15-036	66,191
Domestic Master - Child Support FFY 14	93.563	CSEA/CRA-14-036	21,363
Total Department of Health & Human Services			<u>1,098,580</u>
Department of Education			
Early Education Challenge Grant	84.412A	145213	18,323
Total Department of Education			<u>18,323</u>
Institute of Museum and Library Services			
Library Staff Development	45.310	155451	3,972
Total Institute of Museum and Library Services			<u>3,972</u>

The accompanying notes are an integral part of this schedule.

CALVERT COUNTY, MARYLAND

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Award or Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Department of Transportation			
CCSO Highway Safety Grant FFY13	20.600	14-007	\$ 12,076
CCSO Highway Safety Grant FFY13	20.607	14-007	20,078
CCSO Highway Safety Grant FFY14	20.600	15-062	8,351
CCSO Highway Safety Grant FFY14	20.607	15-062	13,573
Rideshare Assistance	20.509	MD-95-CMA QFY15	8,730
Rural Public Transportation Operation	20.507	CA065307O2015	49,224
Rural Public Transportation Operation	20.509	CA065311O2015	185,176
Job Access & Reverse Commute	20.516	MD-37-4013	27,230
5311 Capital Equipment FY13-16	20.507	CA065307C2014/CA065311C2014	164,058
Total Department of Transportation			<u>488,496</u>
Department of Housing and Urban Development			
Continuum of Care	14.267	MD015L3B081306	17,965
Emergency Solutions Grant	14.231	15ESG-03-2014	14,359
Emergency Solutions Grant	14.231	14ESG05-2013	27,346
Total Department of Housing and Urban Development			<u>59,670</u>
Department of Justice			
Justice Assistance Grant FFY 14	16.738	2014-DJ-BX-0798	10,322
Bullet Proof Vests Grant FFY15	16.607	OMB 1121-0235	9,865
VAWA	16.588	VAWA-2014-1301	33,420
COPS Technology Grant - Public Safety	16.710	2010CKWX0028	7,850
Total Department of Justice			<u>61,457</u>
Total Expenditures of Federal Awards			<u>\$ 2,384,826</u>

The accompanying notes are an integral part of this schedule.

CALVERT COUNTY, MARYLAND

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All Federal grant operations of Calvert County, Maryland (the County) are included in the scope of the Office of Management and Budget (OMB) Circular A-133 audit (the Single Audit). The Single Audit was performed in accordance with the provisions of the OMB Circular A-133 Compliance Supplement. Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the major grant programs noted below. The programs on the Schedule of Expenditures of Federal awards represent all Federal award programs and other grants with fiscal year 2015 cash or non-cash expenditure activities. For our single audit testing, we tested Federal award programs below with 2015 cash and non-cash expenditures in excess of \$300,000 to ensure coverage of at least 25% of Federally granted funds. Our actual coverage was 25%.

<u>Major Program</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Calvert Cliffs Acquisition / Demolition Project	97.039	\$ 599,747

2. BASIS OF PRESENTATION

The schedule of expenditures of Federal awards has been accounted for on the accrual basis of accounting.

3. SUBRECEIPIENTS OF FEDERAL AWARDS

The County passed funds to subrecipients totaling \$77,629, during the year ended June 30, 2015. A summary of the entities which the funds were passed to is listed below:

<u>Recipient</u>	<u>CFDA</u>	<u>Amount Paid to Subrecipient</u>
Project Echo	14.231	\$ 399
SMILE Ministries	14.231	26,550
Community Ministry of Calvert County	14.231	14,757
Project Echo	14.267	17,600
United Way of Calvert County	84.412A	18,323
		<u>\$ 77,629</u>

CALVERT COUNTY, MARYLAND

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015**

Section I - Summary of Independent Public Accountants' Results

Financial Statements

Type of Independent Public Accountants' report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified that is not considered to be a material weakness?	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Type of Independent Public Accountants' report issued on compliance for major programs	Unmodified
Internal control over major programs:	
Material weakness identified?	No
Significant deficiency identified that is not considered to be a material weakness?	Yes
Audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	Yes

CALVERT COUNTY, MARYLAND

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015**

Identification of Major Program:

<u>Major Program</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Calvert Cliffs Acquisition / Demolition Project	97.039	\$ 599,747
Threshold for distinguishing between Type A and B programs		\$ 300,000
Did the County qualify as a low risk auditee?		Yes

Section II – Financial Statement Findings

None noted.

Section III - Federal Award Findings

See Finding 2015-001.

CALVERT COUNTY, MARYLAND

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015**

Reference Number: 2015-001

CFDA Number: 97.039 Calvert Cliffs Acquisition / Demolition Project

**Type of Finding: Compliance Significant Deficiency
Compliance Requirement(s): Reporting**

Condition:

The County reports expenditures on the accrual basis of accounting for both financial reporting on the financial statements and on the schedule of expenditures of federal awards. The County did not report expenditures for the Calvert Cliffs Acquisition and Demolition Project on the accrual basis of accounting. They reported approximately \$32,000 in expenditures on the financial statements and reported approximately \$600,000 in the schedule of Federal awards.

Criteria:

OMB Circular A-133 requires that recipients' financial management systems provide for the following:

- (1) Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements set forth in Section ____.52.
- (2) Records that identify adequately the source and application of funds for federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest.

Cause:

The County did not reconcile the accrual based expenditures from the general ledger to the schedule of Federal awards.

Effect:

The schedule of expenditures of Federal awards was not accurate.

Questioned Costs:

None.

Recommendation:

We recommend the County strengthen its internal controls over financial reporting to ensure all grant expenditures reported on the schedule of expenditures of Federal awards are reviewed and reconciled to the general ledger.

CALVERT COUNTY, MARYLAND

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2015

Reference Number: 2015-001 (continued)

Auditee Response and Corrective Action Plan:

The Calvert County Acquisition and Demolition project was an unusual grant for the County. This specific grant crossed multiple years and was accounted for in our Capital Projects Fund and not in our Grants Fund, where most grants are recorded. It exposed a weakness in our process that is related to the multi-year reporting. Due to the finding, employees within the Finance & Budget department have received both internal and external training and additional managerial levels of review have been implemented. The County has contacted the granting agency and was instructed not to submit any revised reports because the reporting for the total project/grant was correct.

CALVERT COUNTY, MARYLAND

**Schedule of Prior Year Audit Findings and Questioned Costs
For the Year Ended June 30, 2015**

There are no prior year findings to disclose.