



FREDERICK COUNTY GOVERNMENT

INTERAGENCY INTERNAL AUDIT AUTHORITY

Tricia Reaver, Director of Internal Audit

Memorandum

To: Interagency Internal Audit Authority Members

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

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

Date: May, 16, 2023

Subject: Annual Review of Frederick County, Frederick County Public Schools & Frederick Community College Financial Reports

The annual financial audits of Frederick County, Maryland, Frederick County Public Schools, and Frederick Community College have been completed by SB & Company, LLC for fiscal year 2022 as contracted by the County Council, Board of Education and Board of Trustees, respectively. Below is a breakdown of each report presented by SB & Company:

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

- Annual Comprehensive Financial Report (ACFR)
 - Unmodified opinion, dated November 1, 2022
 - No noted prior period adjustments or restatements
 - Noted subsequent events
 - On August 1, 2022, the bond proceeds from the closing of the Series 2022A Bonds were retained by the County for payment of the refunded bonds, as August 1, 2022, was their call date. The refunding is expected to provide a net present value savings of \$600,195 over fiscal years 2023 through 2025. (ACFR pg. 140)
 - On October 25, 2022, the County Council approved Bill #22-22 and Bill #22-23 amending the Frederick County Employees Retirement Plan and the Frederick County Uniformed Employees Retirement Plan to provide for a permanent cost of living adjustment tie to annual changes in the Consumer Price Index, effective July 1, 2023. (ACFR pg. 140)
 - New accounting pronouncements
 - The County has adopted the provisions of GASB Statement No. 87 "Leases", Statement No. 91 "Conduit Debt Obligations, Statement No. 92 "Omnibus 2021, Statement No. 93 "Replacement of

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Interbank Offered Rates, Statement No. 97 "Certain Component Unit Criteria" and Internal Revenue Code Section 457 "Deferred Compensation Plans". (ACFR pg. 141)

- The County will evaluate the effects of and adopt by effective dates: Statement 94 "Public-Private Partnerships and Availability Payment Arrangements"; and Statement 96 "Subscription-Based Information Technology Arrangements". (ACFR pg. 141)

- Risk management/ legal liabilities

- No items noted which would result in settled claims over and above what is covered by the County insurance policies or that would have a material adverse effect on the financial statements at this time. (ACFR pg. 112)

- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement Performed in Accordance with Government Auditing Standards

- Dated November 1, 2022
- No material weaknesses or significant deficiencies noted
- No paragraph noting control deficiencies noted
- No noted instances of non-compliance with laws, regulations, contracts, grant agreements, etc. noted

- Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance

- Unmodified opinion, dated March 15, 2023
- No material weaknesses or significant deficiencies noted
- No paragraph noting control deficiencies noted
- No noted instances of non-compliance with federal grant programs

- Single Audit report

- Unmodified opinion, dated March 15, 2023
- Low risk auditee
- Total federal expenditures \$48,326,827
- Total major programs tested \$36,970,382
- No current year or prior year findings or deficiencies noted
- Filed timely with the Federal Audit Clearinghouse (filed on March 20, 2023; audit report date March 15, 2023)

- Annual required communications from the auditor

- Nothing noted and no separate management letter presented

- Management representation letters

- No special representations or items outside of the normal scope of the audit noted

- Statement of Client Attendance Days and Client Fees of Frederick County, Maryland examination

- For the year ended June 30, 2022
- Unmodified opinion dated February 24, 2023

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- 911 Trust Fund Audit of Revenue and Expenditures
 - Unmodified opinion dated May 1, 2023; no issues noted
- Agreed-Upon Procedures to Federal Register Criteria for Municipal Solid Waste Landfills – Financial Assurance Criteria
 - Report dated November 29, 2022
 - No negative findings reported on agreed upon procedures engaged to perform
- Bell Court Apartments annual financial audit (as regulated by DHCD)
 - Annual audited financial statement report
 - Unmodified opinion, dated September 21, 2022
 - No prior period adjustments or restatements
 - No noted legal contingencies
 - No subsequent events noted
 - New accounting pronouncements: Statement No. 87 "Leases" was adopted
 - Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
 - Dated September 21, 2022
 - No material weaknesses or significant deficiencies noted
 - No paragraph noting communication to management regarding control deficiencies noted
 - No non-compliance noted
 - Report on Compliance with Specific Requirements Applicable to DHCD-Assisted Programs
 - Dated September 21, 2022
 - No issued noted, complied in all material respects
 - Electronic filing to DHCD
 - Completed and accepted by DHCD timely

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

- ACFR
 - Unmodified opinion, dated September 23, 2022
 - No noted prior period adjustments or restatements
 - Subsequent events – none noted
 - New accounting pronouncements
 - FCPS has adopted GASB Statement No 87. "Leases;" and Statement No. 97 "Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans". (ACFR pg. 68)

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- FCPS will evaluate the effects of and adopt by effective dates: Statement No. 96 "Subscription-Based Information Technology Arrangements"; Statement No. 100 "Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62" and Statement No. 101 "Compensated Absences". (ACFR pg. 68 and 69)
 - Risk management/legal liabilities:
 - No items noted which would result in settled claims over and above what is covered by FCPS or that would have a material adverse effect on the financial statements at this time (ACFR pg. 68). The liability balance within the FCPS self-insurance claims fund on June 30, 2022, was \$10,132,370. (ACFR pg. 62)
- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
 - Dated September 23, 2022
 - No material weaknesses or significant deficiencies noted
 - No paragraph noting control deficiencies noted
 - No noted instances of non-compliance with laws, regulations, contracts, grant agreements, etc.
- Report on Compliance for Each Major Federal Program and Report on Internal Controls Over Compliance in Accordance with the Uniform Guidance
 - Unmodified opinion, dated October 31, 2022
 - No material weaknesses or significant deficiencies noted
 - No paragraph noting control deficiencies noted
 - No noted instances of non-compliance with federal grant programs
- Single Audit report
 - Unmodified opinion, dated October 31, 2022
 - Low risk auditee
 - Total federal expenditures \$86,424,618
 - Total major programs tested \$67,387,835
 - No current year or prior year findings or deficiencies noted
 - Filed timely with the Federal Audit Clearinghouse (Filed on December 6, 2022, report dated October 31, 2022; within 30 business days)
- Annual required communications from the auditor
 - Nothing noted and no separate management letter presented
- Management representation letter
 - No special representations or items outside of the normal scope of the audit noted

The following is a summary of the results of each report for **Frederick Community College, Maryland** (FCC) and the **Frederick Community College Foundation Inc.**

- Annual audited financial statement report (FCC)
 - Unmodified opinion, dated September 27, 2022
 - No noted prior period adjustments or restatements
 - Subsequent events - none noted (ACFR pg. 39)
 - New accounting pronouncements:
 - FCC will evaluate the effects of and adopt by effective dates: Statement No. 96 "Subscription-Based Information Technology"; Statement No. 97 "Certain Component Unit Criteria, and Accounting and Financial"; Statement No. 99 "Omnibus 2022"; Statement No. 100 "Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62" and Statement No. 101 "Compensated Absences". (Pg. 22)
 - FCC evaluated the effects of Statement No. 87 "Leases" and concluded the adoption did not have a significant effect on the financial statements. (Pg. 22)
 - Risk Management/legal liabilities:
 - No items noted which would result in settled claims over and above what is covered by FCC or that would have a material adverse effect on the financial statements at this time
- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
 - Report dated September 27, 2022
 - No material weaknesses or significant deficiencies noted
 - No paragraph noting control deficiencies noted
 - No noted instances of non-compliance with laws, regulations, contracts, grant agreements, etc.
- Report on Compliance for Each Major Federal Program and Report on Internal Controls Over Compliance in Accordance with the Uniform Guidance
 - Report dated November 4, 2022
 - No material weaknesses or significant deficiencies noted
 - No paragraph noting control deficiencies noted
 - No prior year compliance findings or deficiencies noted
- Single Audit report
 - Unmodified opinion, dated November 4, 2022
 - Low risk auditee
 - Total federal expenditures \$13,274,169
 - Total major programs tested \$12,397,767
 - No current year findings noted

- One significant deficiency and compliance finding noted in the prior year as finding 2021-001, which was cleared
- Filed timely with the Federal Audit Clearinghouse (Filed on November 29, 2022; report dated November 4, 2022)
- Annual required communications from the auditor
 - Nothing noted and no separate management letter presented
- FCC Foundation- annual audited financial statement report
 - GAAP based financial statements, dated September 21, 2022
 - Unmodified opinion
 - No noted prior period adjustments or restatements
 - New accounting pronouncements:
 - The Foundation adopted Accounting Standards Update (ASU) No. 2020-07, "Not-for-Profit Entities (Topic 958)" and ASU No. 2017-13, "Revenue Recognition (Topic 605)". Neither Standard had a significant effect on the financial statements
 - Subsequent events
 - Coronavirus pandemic standard note
 - No matters noted as probable or likely for disclosure or as a contingent liability on the books of the Foundation
- Management representation letters
 - No special representations or items outside of the normal scope of the audit noted

I have reviewed each of the above listed reports (from management) and opinions from SB & Company. It appears the reports were appropriately formulated and the ACFRs have all necessary sections to obtain the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting. New accounting pronouncements appear to have been properly implemented and noted. Overall, each entity received a "clean" unmodified audit opinion, and no material weaknesses, significant deficiencies or compliance findings were noted on the financial statement reports. Additionally, no material weaknesses, significant deficiencies or compliance findings on major programs were noted on the uniform guidance reports.

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

Pc: Dawn Reed, Coordinator, Internal Audit