

**FREDERICK COMMUNITY COLLEGE**

**Schedule of Expenditures of Federal Awards Together with  
Reports of Independent Public Accountants**

**For the Year Ended June 30, 2014**



**SB & COMPANY, LLC**  
EXPERIENCE • QUALITY • CLIENT SERVICE

**JUNE 30, 2014**

**CONTENTS**

<b>REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS</b>	<b>1</b>
<b>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</b>	<b>4</b>
<b>REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE</b>	<b>5</b>
Schedule of Expenditures of Federal Awards	7
Notes to the Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	10
Schedule of Prior Year Audit Finding	13



## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

To the Board of Trustees  
Frederick Community College

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Frederick Community College (the College), a component unit of Frederick County, Maryland, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents of the financial statements.

### ***Management's Responsibility for the Financial Statements***

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 an opinion on these financial statements based on our audit. 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 of 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 opinion.



**SB & COMPANY, LLC**  
EXPERIENCE • QUALITY • CLIENT SERVICE

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College, as of and for the year ended June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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.

#### **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedule of expenditures of Federal awards, as required by the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of Federal awards 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. Such information has been subjected to the auditing procedures applied in the audit of the basic 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.



**SB & COMPANY, LLC**  
EXPERIENCE • QUALITY • CLIENT SERVICE

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2014, on our consideration of the College'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Hunt Valley, Maryland  
September 24, 2014

*SB & Company, LLC*



**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**

To the Board of Trustees  
Frederick Community College

**Report on the Financial Statements**

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 business-type activities and the discretely presented component unit of Frederick Community College (the College) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated September 24, 2014.

**Internal Control over Financial Reporting**

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



**SB & COMPANY, LLC**  
EXPERIENCE • QUALITY • CLIENT SERVICE

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. Given these limitations, during our audit we did not identify any deficiencies in internal control 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 College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hunt Valley, Maryland  
September 24, 2014

*SB & Company, LLC*



## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE**

To the Board of Trustees  
Frederick Community College

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

We have audited the Frederick Community College's (the College) compliance 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 College's major Federal programs for the year ended June 30, 2014. The College's major Federal programs are identified in the summary of independent public accountant's 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 College'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 College'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 on compliance for each major Federal program. However, our audit does not provide a legal determination of the College's compliance.



# **FREDERICK COMMUNITY COLLEGE**

## **Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2014**

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

In our opinion, the College 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, 2014.

### **Report on Internal Control over Compliance**

Management of the College 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 College's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal programs 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 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 College'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, material weaknesses may exist that have not been identified.

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  
September 24, 2014

*SB + Company, LLC*

# FREDERICK COMMUNITY COLLEGE

## Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2014

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Grantor's Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Housing and Urban Development</b>			
<b>Pass Through from State of MD Housing Authority</b>			
Project Alive	14.870	Unknown	<u>\$ 3,950</u>
<b>U.S. Department of the Interior</b>			
Tolson's Chapel	15.923	N/A	2,640
African American Records	15.923	N/A	620
Oral History Project at Catoctin Mtn Park	15.945	N/A	1,260
Western MD RR of C&O Canal	15.945	N/A	52,524
Storer College Oral History	15.945	N/A	37,543
NRD C & O Canal Year 2	15.945	N/A	44,306
National Register Documentation	15.945	N/A	1,000
<b>Total Department of the Interior</b>			<u>139,893</u>
<b>U.S. Department of Education</b>			
<b>Student Financial Aid Cluster</b>			
PELL	84.063	N/A	5,183,608
S.E.O.G	84.007	N/A	87,716
Federal Work Study	84.033	N/A	98,779
Direct Loans	84.268	N/A	3,856,349
Total Student Financial Aid Cluster			<u>9,226,452</u>
<b>Passed Through MD State Department of Education</b>			
Title IC Program Improvement-Regular	84.048	144644-01	84,087
MSDE CTE Grant	84.048	144645-01	29,961
Total Passed Through MD State Department of Education			<u>114,048</u>
<b>Passed Through Department of Labor, Licensing and Regulation</b>			
Consolidated Adult Education & Literacy Services	84.002A	POOB2400027	399,449
<b>Passed Through MD Higher Education Commission</b>			
MCACGP Pass Grant	84.378A	13-109	77,966
<b>Total Department of Education</b>			<u>9,817,915</u>
<b>U.S. Department of Health and Human Services</b>			
HRSA Grant	93.887	C76HF16225	3,290
<b>Passed Through MD State Department of Education</b>			
Child Care Career and Professional Development Fund	93.575	144367-01, 02	25,917
<b>Total Department of Health and Human Services</b>			<u>29,207</u>
<b>U.S. Department of Homeland Security</b>			
Homeland Security Nat'l Training Program	97.005	EMW-2012-CA00093	302,944
<b>Total Expenditures of Federal Awards</b>			<u>\$ 10,293,909</u>

The accompanying notes are an integral part of this schedule.

# FREDERICK COMMUNITY COLLEGE

## Notes to the Schedule of Expenditures of Federal Awards June 30, 2014

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All Federal grant operations of Frederick Community College (the College) 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 (the 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 2014 cash or non-cash expenditures activities. For the single audit testing, we selected programs to cover at least 25 percent of Federally granted funds. Our actual coverage was 96 percent.

<b>Major Program</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Education</b>		
<b>Student Financial Aid Cluster</b>		
PELL	84.063	\$ 5,183,608
S.E.O.G	84.007	87,716
Federal Work Study	84.033	98,779
Direct Loans	84.268	3,856,349
Total Student Financial Aid Cluster		9,226,452
<b>Passed Through Department of Labor, Licensing and Regulation</b>		
Consolidated Adult Education & Literacy Services	84.002A	399,449
<b>U.S. Department of Homeland Security</b>		
Homeland Security Nat'l Training Program	97.005	302,944
<b>Total Major Programs</b>		<b>\$ 9,928,845</b>

### 2. BASIS OF PRESENTATION

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

# **FREDERICK COMMUNITY COLLEGE**

## **Notes to the Schedule of Expenditures of Federal Awards June 30, 2014**

### **3. LOAN PROGRAMS**

During the year ended June 30, 2014, the College processed the following amount of new loans under the Federal Direct Lending Loan Program, which includes the Stafford and PLUS Loans. Since these programs are administered by outside financial institutions, new loans made during the fiscal year relating to these programs are considered current year expenditures in the schedule of expenditures of Federal awards.

<b>Program Name</b>	<b>Federal CFDA Number</b>	<b>Loan Expenditures</b>
Student Financial Aid - Direct Loans	84.268	\$ 3,856,349

# **FREDERICK COMMUNITY COLLEGE**

## **Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014**

### **Section I - Summary of Independent Public Accountant's Results**

#### **Financial Statements**

Type of Independent Public Accountant's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Noncompliance material to the financial statements noted?	No

#### **Federal Awards**

Type of Independent Public Accountant's report issued on compliance for major programs	Unmodified
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	No

# FREDERICK COMMUNITY COLLEGE

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

<b>Major Program</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Education</b>		
<b>Student Financial Aid Cluster</b>		
PELL	84.063	\$ 5,183,608
S.E.O.G	84.007	87,716
Federal Work Study	84.033	98,779
Direct Loans	84.268	3,856,349
Total Student Financial Aid Cluster		9,226,452
 <b>Passed Through Department of Labor, Licensing     and Regulation</b>		
Consolidated Adult Education & Literacy Services	84.002A	399,449
 <b>U.S. Department of Homeland Security</b>		
Homeland Security Nat'l Training Program	97.005	302,944
 Total Major Programs		<u>\$ 9,928,845</u>
 Threshold for distinguishing between Type A and B programs		\$ 308,817
 Did the College qualify as a low risk auditee?		Yes

**FREDERICK COMMUNITY COLLEGE**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2014**

**Section II - Financial Statement Findings**

None Noted.

**Section III - Federal Award Findings**

None Noted.

## **FREDERICK COMMUNITY COLLEGE**

### **Schedule of Prior Year Audit Finding For the Year Ended June 30, 2014**

There were no audit findings that must be reported in accordance with OMB Circular A-133 for the year ended June 30, 2013.