

HOWARD COMMUNITY COLLEGE

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

For the Year Ended June 30, 2009



SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

JUNE 30, 2009

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Trustees
Howard Community College

We have audited the financial statements of the Howard Community College (the college), a component unit of Howard County, Maryland, and its discretely presented component unit, the Howard Community College Educational Foundation, Inc., a component unit of the college as of and for the year ended June 30, 2009, which collectively comprise the college's basic financial statements. These financial statements are the responsibility of the college's management. Our responsibility is to express an opinion on the college's 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 of America. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the college and its discretely presented component unit as of June 30, 2009, and the results of their operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2009, on our consideration of Howard Community College's internal control over financial reporting and 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* and should be considered in assessing the results of our audit.



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Our audit was performed for the purpose of forming an opinion on the financial statements of the college taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the additional procedures applied in the audit of financial statements and, in our opinion, is fairly stated, in all material respects in relation to the financial statements taken as a whole.

Hunt Valley, Maryland
September 8, 2009

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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***

To the Board of Trustees
Howard Community College

We have audited the financial statements of Howard Community College (the college) as of and for the year ended June 30, 2009, and have issued our report thereon dated September 8, 2009. 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 of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the college's internal control over financial reporting as a basis for designing our auditing procedures 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 college's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the college's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.



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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Trustees, management, others within the entity 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.

Hunt Valley, Maryland
September 8, 2009

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

To the Board of Trustees
Howard Community College

Compliance

We have audited the compliance of Howard Community College (the college) 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, 2009. The college's major federal programs are identified in the summary of independent public accountants' 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 the college's management. Our responsibility is to express an opinion on the college's compliance based on our audit.

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 of America; 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. Our audit does not provide a legal determination of the college's compliance with those requirements.

In our opinion, the college 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, 2009.



Internal Control Over Compliance

The management of the college 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 the college's internal control over compliance with the 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, 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 control deficiency in the college's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the college's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the college's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the college's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Trustees, management, others within the entity, 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.

Hunt Valley, Maryland
September 8, 2009

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HOWARD COMMUNITY COLLEGE

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009**

| Federal Grantor/Pass Through Grantor/Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|--|---------------------------|--|-------------------------|
| U.S. Department of Education | | | |
| Student Financial Aid Cluster: | | | |
| Federal Supplemental Educational Opportunity Grants | 84.007 | NA | \$ 81,390 |
| Federal Stafford Loans | 84.032 | NA | 3,603,618 |
| Parent Loans for Undergraduate Students (PLUS) | 84.032 | NA | 42,711 |
| Federal Work-Study Program | 84.033 | NA | 136,690 |
| Federal Pell Grant Program | 84.063 | NA | 3,546,081 |
| Academic Competitiveness | 84.375 | NA | 70,000 |
| Total Student Financial Aid Cluster | | | <u>7,480,490</u> |
| TRIO – Student Support Services – FY 09 | 84.042 | NA | 265,962 |
| TRIO – Student Support Services – FY 08 | 84.042 | NA | 42,266 |
| Total U.S. Department of Education | | | <u>7,788,718</u> |
| National Science Foundation | | | |
| Engineering Grants (TAP) – year 3 | 47.041 | NA | 121,632 |
| Engineering Grants (TAP) – year 4 | 47.041 | NA | 39,020 |
| National Science Foundation | 47.076 | NA | 82,478 |
| Total National Science Foundation | | | <u>243,130</u> |
| Department of Health and Human Services | | | |
| HRSA – Rad Tech | 93.887 | NA | 94,900 |
| Total Direct Awards | | | <u>8,126,748</u> |
| U.S. Department of Education | | | |
| Pass-Through Maryland Department of Education: | | | |
| Adult Education - State Grant Program | 84.002 | SG900375 | 164,782 |
| Vocational Education – Basic Grants to States | 84.048 | SG900958 | 191,918 |
| Vocational Education – Tech Prep Education | 84.243 | SG900958 | 20,159 |
| Department of Health and Human Services | | | |
| Child Care Career | 93.575 | SG900718 | 43,946 |
| Child Care Lab School | 93.575 | SG800318 | 26,384 |
| Child Care Development Fund | 93.575 | SG700794 | 22,583 |
| Early Child Development | 93.575 | SG800231 | 63,197 |
| Total Pass-Through Maryland Department of Education | | | <u>532,969</u> |
| Department of Health and Human Services | | | |
| Pass-Through Maryland Department of Health and Mental Hygiene: | | | |
| Centers for Disease Control and Prevention | 93.977 | OCPMP 7-009242G | 51,192 |
| Office of Preparedness and Response | 93.283 | OCPMP 9-010000G | 88,183 |
| Family Planning Services | 93.217 | OCPMP 9-010074G | 24,796 |
| Total Pass-Through Maryland Department of Health and Mental Hygiene | | | <u>164,171</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ 8,823,888</u> |

The accompanying notes are an integral part of this schedule.

HOWARD COMMUNITY COLLEGE

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All federal grant operations of Howard 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 2009 cash or non-cash expenditures activities. For our single audit testing, we tested all federal award programs with 2009 cash and non-cash expenditures in excess of \$300,000 to ensure coverage of at least 25 percent of federally granted funds. Our actual coverage was 85 percent.

| <u>Major Program</u> | <u>CFDA Numbers</u> | <u>Federal Expenditures</u> |
|-------------------------------|--|-----------------------------|
| Student Financial Aid Cluster | 84.007 84.032 84.033 84.063 84.375 | \$ 7,480,490 |

2. BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards has been accounted for on the accrual basis of accounting.

3. LOAN PROGRAMS

During the year ended June 30, 2009, the college processed the following amount of new loans under the Federal Family Education Loan Programs, which includes the Stafford and PLUS Loans. Since this program is administered by outside financial institutions, new loans made during the fiscal year relating to this program are considered current year expenditures in the Schedule of Expenditures of Federal Awards.

| <u>CFDA Number</u> | <u>Program Name</u> | <u>Loan Expenditures</u> |
|--------------------|--|--------------------------|
| 84.032 | Federal Stafford Loans | \$ 3,603,618 |
| 84.032 | Parent Loans for Undergraduate Students (PLUS) | 42,711 |

4. FINDINGS

There were no findings during the June 30, 2009 single audit.

HOWARD COMMUNITY COLLEGE

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009**

Section I - Summary of Independent Public Accountants' Results

Financial Statements

| | |
|--|---------------|
| Type of Independent Public Accountants' report issued | Unqualified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| Noncompliance material to the financial statements? | No |

Federal Awards

| | |
|--|---------------|
| Internal control over major programs: | |
| Material weakness(es) identified? | No |
| Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| Type of Independent Public Accountants' report issued on compliance for major programs | Unqualified |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? | No |

Identification of Major Programs:

| Major Program | CFDA Numbers | Federal Expenditures |
|--|--|----------------------|
| Student Financial Aid Cluster | 84.007 84.032 84.033 84.063 84.375 | \$ 7,480,490 |
| Threshold for distinguishing between Type A and B programs | | 300,000 |
| Did the college qualify as a low risk auditee? | | Yes |

HOWARD COMMUNITY COLLEGE

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009**

Section II - Financial Statement Findings

None Noted.

Section III - Federal Award Findings

None Noted.