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HOWARD COMMUNITY COLLEGE

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

For the Year Ended June 30, 2017



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JUNE 30, 2017

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Trustees
Howard 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 Howard Community College (the College), a component unit of Howard County, Maryland, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements.

Management's Responsibility for the Financial Statements

The College'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 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 opinion.

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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance 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 and Schedule of Howard Community College Proportionate Share of the Net Pension Liability – Maryland State Retirement and Pension Systems and the Schedule of Howard Community College's contributions – Maryland Statement Retirement and Pension Systems 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 Standard Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and 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 the 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 schedule of expenditures of Federal awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.



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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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2017, 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 19, 2017

A handwritten signature in cursive script that reads "S.B. & Company, LLC". The signature is written in dark ink and is positioned to the right of the date and location text.



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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, 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 Howard Community College (the College) as of and for the year ended June 30, 2017, 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 19, 2017.

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.

Our consideration of 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.



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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 College'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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hunt Valley, Maryland
September 19, 2017

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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

To the Board of Trustees
Howard Community College

Report on Compliance for Each Major Federal Program

We have audited Howard Community College's (the College) compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) 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, 2017. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.



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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, 2017.

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 program as a basis for designing 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 the Uniform Guidance, 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.



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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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Hunt Valley, Maryland
September 19, 2017

SB & Company, LLC

HOWARD COMMUNITY COLLEGE

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity/ Identifying Number	Federal Expenditures
Direct Award			
U.S. Department of Education:			
Student Financial Aid Cluster			
Federal Supplemental Educational Opportunity Grants	84.007	PO07A161754	\$ 180,697
Federal Direct Lending	84.268	P268K173052	7,366,557
Federal Direct Lending-Prior Year	84.268	P268K163052	39,123
Federal Work-Study Program	84.033	PO33A161754	195,133
Federal Pell Grant Program FY17	84.063	PO63P163052	10,155,760
Federal Pell Grant Program FY16	84.063	PO63P153052	137,515
Federal Pell Grant Program FY15	84.063	PO63P143052	<u>(5,014)</u>
Total Student Financial Aid Cluster			<u>18,069,771</u>
TRIO-Student Support Services			
TRIO - Student Support Services - FY17	84.042A	PO42A150779	280,135
TRIO - Student Support Services - FY16	84.042A	PO42A150779	<u>46,269</u>
Total TRIO-Student Support Services			<u>326,404</u>
Total U.S. Department of Education			<u>18,396,175</u>
National Science Foundation:			
PRIME	47.076	DRL1118755	16,266
STEM	47.076	1458149	<u>125,222</u>
Total National Science Foundation			<u>141,488</u>
Department of Defense:			
National Security Agency-Startalk 16-17	12.900	H98230-16-1-0113	64,738
National Security Agency-Startalk 17-18	12.900	H98230-17-1-0112	<u>4,823</u>
Total Department of Defense			<u>69,561</u>
National Institute of Standards and Technology			
FY 2016 Summer Undergraduate Research Fellowship_ILT	11.620	70NANB16H099	<u>5,500</u>
Total Direct Awards			<u>\$ 18,612,724</u>

The accompanying notes are an integral part of this schedule.

HOWARD COMMUNITY COLLEGE

**Schedule of Expenditures of Federal Awards (continued)
For the Year Ended June 30, 2017**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity/ Identifying Number	Federal Expenditures
Pass-Through Programs			
Department of Labor Licensing and Regulation:			
Pass-Through Maryland Department of Labor Licensing and Regulation: Adult Education - State Grant Program	84.002A	P00P7400142	\$ 347,938
U.S. Department of Education:			
Pass-Through Maryland State Department of Education			
Vocational Education - Basic Grants to States	84.048	170546	298,495
Vocational Education - Basic Grants to States PY	84.048	165073	13,438
Child Care Career and Professional Development - Teacher Train. FY17	93.575	170866	121,199
Child Care Career and Professional Development - Teacher Train. FY16	93.575	164659	42,887
Career and Technical Education -- Entrepreneurship	84.048	170694	16,901
Career and Technical Education -- CPA Track	84.048	170694	17,061
Career and Technical Education - IT	84.048	170694	19,962
Career and Technical Education - Python Programming	84.048	170694	19,522
Total Pass Through Maryland State Department of Education			<u>549,465</u>
Department of Labor:			
Pass-Through Montgomery College			
Cyber-Technology Pathways Across Maryland	17.282	TC-26466-14-60-A-24	357,451
Pass-Through University System of Maryland			
US Dept of Ed - First in the World	84.116F	P116F150201-2016-7	39,273
Suicide Prevention & Early Intervention Network (SPIN)	93.243	1500351B	3,719
Suicide Prevention & Early Intervention Network (SPIN)- PY	93.243	1500351A	3,369
Total Pass-Through University System of Maryland			<u>46,361</u>
Pass-Through Howard University			
National Science Foundation-LSAMP-			
Washington Baltimore Hampton Roads Alliance	47.076	1503192	18,650
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 19,932,589</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, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All federal grant operations of Howard Community College (the College) are included in the scope of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administration Requirement, Cost Principles, and Audit Requirements for Federal Awards* (the Single Audit). The Single Audit was performed in accordance with the provisions of the OMB Compliance Supplement (the Compliance Supplement). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the grant programs noted below. This program represents federal award programs for fiscal year 2017 cash and non-cash expenditures to ensure coverage of at least 20% of federally granted funds. Actual coverage is 91% of total cash and non-cash federal award program expenditures.

Expenditures reported on the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-21, *Cost Principles for Educational Institutions*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The College has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

The federal awards programs tested for fiscal year 2017 are listed below.

<u>Major Programs</u>	<u>CFDA Numbers</u>	<u>Federal Expenditures</u>
Student Financial Aid Cluster	84.007, 84.268, 84.033, 84.063	\$ 18,069,771

HOWARD COMMUNITY COLLEGE

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2017

2. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the College under programs of the federal government for the year ended June 30, 2017 accounted for on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the College.

3. LOANS OUTSTANDING

During the year ended June 30, 2017, the College processed the following amount of new loans under the Federal Direct Lending Loan Program. 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.

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity/ Identifying Number	Federal Expenditures
Federal Direct Lending - FY17	84.268	P268K173052	\$ 7,366,557
Federal Direct Lending - FY16	84.268	P268K163052	39,123

HOWARD COMMUNITY COLLEGE

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

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?	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?	None Reported
Audit findings disclosed that are required to be reported in accordance with Section 200.516 of Uniform Guidance?	No

HOWARD COMMUNITY COLLEGE

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Identification of Major Programs:

<u>Major Programs</u>	<u>CFDA Numbers</u>	<u>Federal Expenditures</u>
Student Financial Aid Cluster	84.007, 84.268, 84.033, 84.063	\$ 18,069,771

Threshold for distinguishing between Type A and B programs \$ 750,000

Did the College qualify as a low risk auditee? Yes

Section II – Financial Statement Findings

None noted.

Section III – Federal Awards Findings and Questioned Costs

None noted.

HOWARD COMMUNITY COLLEGE

**Schedule of Prior Year Audit Findings and Questioned Costs
For the Year Ended June 30, 2017**

There were no audit findings reported in the prior year audit for the year ended June 30, 2016.