

**TOWN OF ELKTON, MARYLAND**  
**REPORT ON SINGLE AUDIT**  
**YEAR ENDED JUNE 30, 2022**



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**INDEPENDENT AUDITORS' 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***

Honorable Mayor and Commissioners  
Town of Elkton, Maryland  
Elkton, Maryland

We have audited, in accordance with the 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, each major fund, and the aggregate remaining fund information of Town of Elkton, Maryland (Town), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated February 28, 2023.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing 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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 through 2022-003 that we consider to be significant deficiencies.

Honorable Mayor and Commissioners  
Town of Elkton, Maryland

***Report on Compliance and Other Matters***


As part of obtaining reasonable assurance about whether the Town'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 financial statements. 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*.

***Town of Elkton, Maryland's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the Town's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Town's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

***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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
February 28, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Mayor and Commissioners  
Town of Elkton, Maryland  
Elkton, Maryland

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

***Qualified Opinion***

We have audited the Town of Elkton, Maryland's (Town) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2022. The Town's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Qualified Opinion on COVID 19 – Coronavirus State and Local Fiscal Relief Fund***

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on *COVID 19 – Coronavirus State and Local Fiscal Relief Fund* program for the year ended June 30, 2022.

***Basis for Qualified Opinion***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town's compliance with the compliance requirements referred to above.

***Matter(s) Giving Rise to Qualified Opinion on COVID 19 – Coronavirus State and Local Fiscal Relief Fund***

As described in the accompanying schedule of findings and questioned costs, the Town did not comply with requirements regarding Assistance Listing No. 21.027, COVID 19 – Coronavirus State and Local Fiscal Relief Fund as described in finding number 2022-004 for Procurement.

Compliance with such requirements is necessary, in our opinion, for the Town to comply with the requirements applicable to that program.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Town's federal programs.

***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-06. Our opinion on each major federal program is not modified with respect to this matter.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Town's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-004 and 2022-005 to be material weaknesses.

*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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-006 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Honorable Mayor and Commissioners  
Town of Elkton, Maryland

*Government Auditing Standards* requires the auditor to perform limited procedures on the Town's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the other 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

***Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements. We issued our report thereon dated February 28, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements, as a whole. Such information 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. 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 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.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
March 22, 2023



**TOWN OF ELKTON, MARYLAND**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2022**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/Grant Name	ALN Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>Department of Justice</b>				
Direct:				
COVID-19 - Coronavirus Emergency Supplemental Funding	16.034	2020-VD-BX-1594	\$ -	\$ 6,900
Administered Through Maryland Governor's Office of Crime Control and Prevention:				
Edward Byrne Memorial Justice Assistance Grant	16.738	2019-MU-BX-0019	-	80,186
<b>Total Department of Justice</b>			-	87,086
<b>Department of Transportation</b>				
<i>Highway Safety Cluster</i>				
Administered Through Maryland State Highway Administration:				
State and Community Highway Safety	20.600			
Distracted Driving		LE-21-080	-	1,140
Speed Enforcement		LE-21-081	-	561
Speed Enforcement		LE-22-202	-	619
Distracted Driving		LE-22-204	-	2,152
Total State and Community Highway Safety			-	4,472
National Priority Safety Programs	20.616			
Impaired Driving		LE-22-203	-	1,015
Impaired Driving		LE-21-079	-	586
Total Priority Safety Programs			-	1,601
<i>Total Highway Safety Cluster</i>			-	6,073
<b>Total Department of Transportation</b>			-	6,073
<b>Department of Treasury</b>				
Administered Through Maryland Department of Housing and Community Development:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	n/a	-	762,728
<b>Total Department of Treasury</b>			-	762,728
<b>Department of Health and Human Services</b>				
Administered Through Maryland Department of Human Services:				
Low-Income Household Water Assistance Program	93.499	n/a	-	9,772
<b>Total Department of Health and Human Services</b>			-	9,772
Total Federal Awards			\$ -	\$ 865,659

See accompanying Notes to Schedule of Federal Awards.

**TOWN OF ELKTON, MARYLAND**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2022**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Elkton, Maryland (the Town) under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of 2 CFR 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 Town, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 INDIRECT COST RATE**

The Town has not elected to use the 10 percent de minimis indirect cost rate allowed under Uniform Guidance.

**TOWN OF ELKTON, MARYLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2022**

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***Section I — Summary of Auditors' Results***

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***Financial Statements***

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? \_\_\_\_\_ yes        X   no
  - Significant deficiency(ies) identified?   X   yes      \_\_\_\_\_ none reported
3. Noncompliance material to financial statements noted? \_\_\_\_\_ yes        X   no

***Federal Awards***

1. Internal control over major federal programs:
- Material weakness(es) identified?   X   yes      \_\_\_\_\_ no
  - Significant deficiency(ies) identified?   X   yes      \_\_\_\_\_ none reported
2. Type of auditors' report issued on compliance for major federal programs: Qualified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?   X   yes      \_\_\_\_\_ no

***Identification of Major Federal Programs***

**Assistance  
Listing(s)**

**Name of Federal Program or Cluster**

21.027

COVID 19 – Coronavirus State and Local Fiscal Relief Fund

Dollar threshold used to distinguish between  
Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes        X   no

**TOWN OF ELKTON, MARYLAND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**JUNE 30, 2022**

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***Section II — Findings and Questioned Costs — Financial Statement Findings***

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**Finding 2022-01: Preparation of Financial Statements**

**Condition:**

The Town engages CliftonLarsonAllen (CLA) to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, CLA cannot be considered part of the Town's internal control system.

**Criteria:**

The Town should have controls in place to ensure the financial statements are prepared in accordance with generally accepted accounting principles (GAAP) and standards issued by the Governmental Accounting Standards Board.

**Cause:**

Currently, the Town's personnel do not have sufficient financial reporting and accounting knowledge on a GAAP basis to perform a review of the Town's financial statements and related disclosures to provide a high level of assurance that potential material omissions or other errors would be identified and corrected.

**Effect:**

Potential for material financial statement misstatements and/or incomplete or omitted financial statement disclosures.

**Recommendation:**

We recommend the Town implement a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of applicable generally accepted accounting principles (GAAP) and knowledge of the Town's activities and operations.

**Views of Responsible Officials:**

The Town's Finance Office will continue to closely monitor year end activities and continue to work closely with our independent auditors in order to assure the year end statements correctly reflect budgetary and GAAP basis of accounting with related disclosures.

**Finding 2022-02: Adjusting Journal Entries**

**Condition:**

We discovered misstatements that required adjustment to the financial records during the audit.

**Criteria:**

The Town should have controls in place to ensure all transactions are recorded correctly in the financial records in accordance with generally accepted accounting principles.

**TOWN OF ELKTON, MARYLAND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**JUNE 30, 2022**

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***Section II — Findings and Questioned Costs — Financial Statement Findings (Continued)***

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**Cause:**

This is primarily due to a limited number of staff in the accounting department and a lack of knowledge of GAAP basis reporting of the financial statements.

**Effect:**

Adjustments had to be made during the audit to record current year activity for various accounts, reconcile account balances to subsidiary ledgers, and correct amounts improperly recorded.

**Recommendation:**

We recommend management develop policies and procedures for review of account balances to ensure all activity is recorded on a timely basis and year-end adjustments are made for financial statement purposes.

**Views of Responsible Officials:**

The Town's Finance Office will continue to closely monitor account balances and correct coding of revenues and expenditures through both monthly bank reconciliations and monthly preparation of budget and actual revenue and expenditure reports, which are shared with the Major and Commissioners (the Board).

**Finding 2022-03: Segregation of Duties**

**Condition:**

The Town does not have adequate segregation of duties over financial reporting, cash receipts, cash disbursements and payroll.

**Criteria:**

COSO/Internal Control Framework identifies segregation of duties as a control activity where "duties are divided, or segregated, among different people to reduce the risk of error or inappropriate actions." Segregation of duties is also identified as a monitoring activity. "Appropriate organizational structure and supervisory activities provide oversight of control functions and identification of deficiencies. Also, duties of individuals are divided so that individual personnel serve as a check on each other. This is also a deterrent to employee fraud since it inhibits the ability of an individual to conceal his or her activities."

**Cause:**

The Town has a limited number of accounting staff due to the small size of the municipality.

**Effect:**

This condition increases the possibility that errors or irregularities may occur and not be detected on a timely basis.

**TOWN OF ELKTON, MARYLAND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**JUNE 30, 2022**

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***Section II — Findings and Questioned Costs — Financial Statement Findings (Continued)***

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**Recommendation:**

We recommend management continue to be constantly aware of the potential for discrepancy in such an environment. With limited personnel to segregate duties, focus should concentrate on the most vulnerable areas. Accordingly, we believe this focus should be in the area of cash receipts and disbursements. The Commissioners should continue to closely monitor financial related duties, including the review of interim financial statements, at least quarterly.

**Views of Responsible Officials:**

The Board are provided with a budget and actual revenue and expenditure report on a monthly basis along with check registers, outstanding voucher lists, cash receipts/disbursements, and bank account balances. While not a perfect substitute for an additional Finance Department position, in order to better provide an ideal segregation of duties, the Board is encouraged to question the reports and/or request a better understanding of them.

**TOWN OF ELKTON, MARYLAND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**JUNE 30, 2022**

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***Section III — Findings and Questioned Costs — Major Federal Programs***

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<b>Finding Number:</b>	<b>2022-004</b>
<b>Prior Year Finding:</b>	No
<b>Federal Agency:</b>	U.S. Department of Treasury
<b>Federal Program:</b>	COVID 19 – Coronavirus State and Local Fiscal Relief Fund
<b>Assistance Listing:</b>	21.027
<b>Pass-Through Entity:</b>	Maryland Department of Housing and Community Development
<b>Pass-Through Award Number and Period:</b>	(7/1/2021 – 6/30/2022)
<b>Compliance Requirement:</b>	Procurement
<b>Type of Finding:</b>	Material Weakness in Internal Control over Compliance, Material Noncompliance

**Criteria or Specific Requirement:**

*Control:* Per 2 CFR Section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should comply with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

*Compliance:*

*Compliance:* Per 2 CFR section 200.318, a non-Federal entity must have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this section, for the acquisition of property or services required under a Federal award or subaward.

Per 2 CFR section 200.319, all procurement transactions for the acquisition of property or services required under a Federal award must be conducted in a manner providing full and open competition consistent with the standards of this section and § 200.320.

Per the Town’s purchasing policy, goods or services costing \$10,000 or more must be purchased from the lowest responsive bidder meeting specifications after advertising for bids.

**Condition/Context:**

The Town was unable to provide documentation to support compliance with required procurement processes for goods or services over \$10,000 for one vendor, including how the vendor was procured and whether there was full and open competition in the procurement process.

**TOWN OF ELKTON, MARYLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
JUNE 30, 2022**

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***Section III — Findings and Questioned Costs — Major Federal Programs (Continued)***

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**Questioned Costs:**

None noted.

**Cause:**

The Town's internal controls were not sufficient to ensure that procurement policies were followed for purchases made for the program.

**Effect:**

Failure to adhere to procurement policies and procedures may result in obtaining goods or services under terms that are not in the best interest of the federal program.

**Recommendation:**

The Town should review and enhance controls and procedures to ensure that it follows procurement policy for all goods and services charged to the program.

**Views of Responsible Officials:**

Management agrees with the finding.



**TOWN OF ELKTON, MARYLAND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**JUNE 30, 2022**

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***Section III — Findings and Questioned Costs — Major Federal Programs (Continued)***

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<b>Finding Number:</b>	<b>2022-005</b>
<b>Prior Year Finding:</b>	No
<b>Federal Agency:</b>	U.S. Department of Treasury
<b>Federal Program:</b>	COVID 19 – Coronavirus State and Local Fiscal Relief Fund
<b>Assistance Listing:</b>	21.027
<b>Pass-Through Entity:</b>	Maryland Department of Housing and Community Development
<b>Pass-Through Award Number and Period:</b>	(7/1/2021 – 6/30/2022)
<b>Compliance Requirement:</b>	Suspension and Debarment
<b>Type of Finding</b>	Material Weakness in Internal Control over Compliance

**Criteria or Specific Requirement:**

*Control* – Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-Federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should comply with the guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control-Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

**Condition/Context:**

The Town did not determine the suspension and debarment status of a vendor with expenditures exceeding \$25,000 as required by federal regulations.

**Questioned Costs:**

There are no questioned costs related to this finding as the vendor was not federally suspended or debarred.

**Cause:**

The Town's internal controls were not sufficient to ensure federal suspension and debarment regulations were followed for purchases made for the program.

**Effect:**

Failure to adhere to suspension and debarment requirements may result in the Town entering into a contract or purchase with a vendor that is suspended or debarred and not authorized to provide goods and services to the program.

**TOWN OF ELKTON, MARYLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
JUNE 30, 2022**

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***Section III — Findings and Questioned Costs — Major Federal Programs (Continued)***

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**Recommendation:**

We recommend that the Town enhance its procedures and internal controls to ensure that it verifies vendors are not suspended or debarred from business prior to all goods and services charged to the program. The Town should retain documentation of procurement suspension/debarment status verifications for its vendors audit purposes.

**Views of Responsible Officials:**

Management agrees with the finding.

**TOWN OF ELKTON, MARYLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
JUNE 30, 2022**

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***Section III — Findings and Questioned Costs — Major Federal Programs (Continued)***

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**Finding Number:** 2022-006  
**Prior Year Finding:** No  
**Federal Agency:** U.S. Department of Treasury  
**Federal Program:** COVID 19 – Coronavirus State and Local Fiscal Relief Fund  
**Assistance Listing:** 21.027  
**Pass-Through Entity:** Maryland Department of Housing and Community Development  
**Pass-Through Award Number and Period:** (7/1/2021 – 6/30/2022)  
**Compliance Requirement:** Reporting  
**Type of Finding:** Significant Deficiency in Internal Control over Compliance, Other Matters

**Criteria or Specific Requirement:**

*Control:* Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should comply with the guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control-Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

*Compliance:* Per the Compliance and Reporting Guidance, State and Local Fiscal Recovery Funds, non-entitlement units are required to submit a project and expenditure report for the period ending March 31, 2022 no later than April 30, 2022 and then quarterly thereafter.

**Condition/Context:**

The Town did not submit their March 31, 2022 project and expenditure report timely. The report was due no later than April 30, 2022; however, the Town submitted the report on May 3, 2022.

**Questioned Costs:**

None noted.

**Cause:**

The Town's procedures and internal controls were not sufficient to ensure that reports were filed timely.

**TOWN OF ELKTON, MARYLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
JUNE 30, 2022**

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***Section III — Findings and Questioned Costs — Major Federal Programs (Continued)***

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**Effect:**

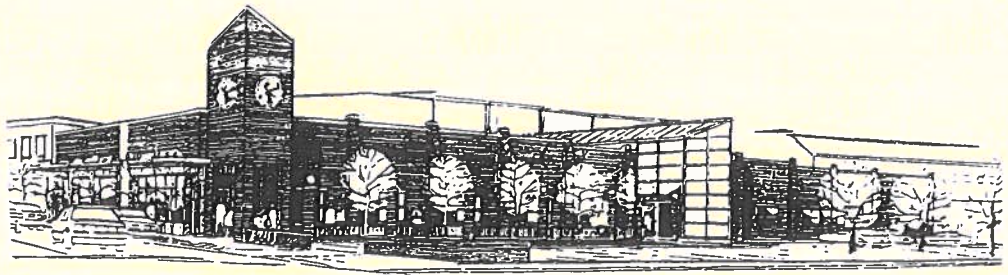
The quarterly performance report was not filed timely which could impact the Federal agency's ability to monitor the program.

**Recommendation:**

The Town should review and enhance its reporting procedures and controls to ensure that quarterly performance reports are submitted no later the last day of the month after the end of each quarter.

**Views of Responsible Officials:**

Management agrees with the finding.



Robert J. Alt, Mayor

Board of Commissioners:

Town Administrator:

Jean A. Broomell

Robert M. Massimiano

Lewis H. George, Jr.

Charles H. Givens, Sr.

Earl M. Piner, Sr.

## **TOWN OF ELKTON CORRECTIVE ACTION PLAN YEAR ENDED JUNE 30, 2022**

### **FINDINGS—FEDERAL AWARD PROGRAMS AUDITS**

U.S. Department of Treasury

2022-004 COVID-19 – Coronavirus State and Local Relief Funds (CSLRF)– Assistance Listing No. 21.027

Recommendation: The Town should review and enhance controls and procedures to ensure that it follows procurement policy for all goods and services charged to the program.

Explanation of disagreement with audit finding: **There is no disagreement with the audit finding.**

Action taken in response to finding: Town's procurement policy will be reviewed and updated to ensure compliance with Federal requirements.

Name(s) of the contact person(s) responsible for corrective action: Steven Repole

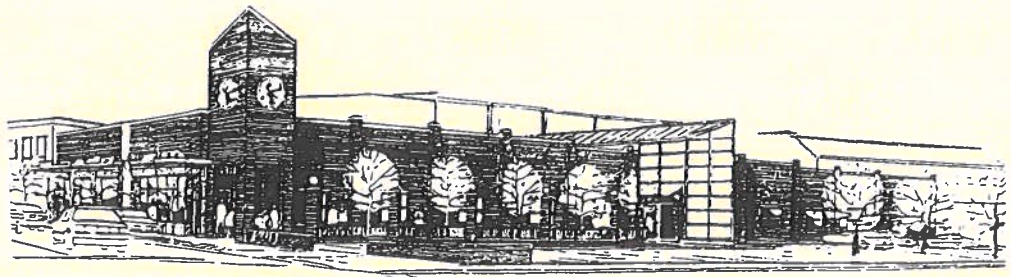
Planned completion date for corrective action plan: 06/30/23

If the US Department of the Treasury, Office of Recovery Programs has questions regarding this plan, please call Steven Repole at 410 398 4170.

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## **TOWN OF ELKTON**

Elkton Municipal Building, 100 Railroad Avenue, P.O. Box 157, Elkton, Maryland 21922-0157  
TELEPHONE: (410) 398-4170 FAX: (410) 398-7112 E-MAIL: [finance@elkton.org](mailto:finance@elkton.org) WEBSITE: [www.elkton.org](http://www.elkton.org)



Robert J. Alt, Mayor

Board of Commissioners:

Town Administrator:

Jean A. Broomell

Robert M. Massimiano

Lewis H. George, Jr.

Charles H. Givens, Sr.

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## **TOWN OF ELKTON CORRECTIVE ACTION PLAN YEAR ENDED JUNE 30, 2022**

### **FINDINGS—FEDERAL AWARD PROGRAMS AUDITS**

U.S. Department of Treasury

2022-005      COVID-19 – Coronavirus State and Local Relief Funds (CSLRF)– Assistance Listing No. 21.027

Recommendation: We recommend that the Town enhance its procedures and internal controls to ensure that it verifies vendors are not suspended or debarred from business prior to all goods and services charged to the program. The Town should retain documentation of procurement suspension/debarment status verifications for its vendors audit purposes.

Explanation of disagreement with audit finding: **There is no disagreement with the audit finding.**

Action taken in response to finding: Town's procurement policy will be reviewed and updated to ensure compliance with Federal requirements including documentation of good standing.

Name(s) of the contact person(s) responsible for corrective action: Steven Repole

Planned completion date for corrective action plan: 06/30/23

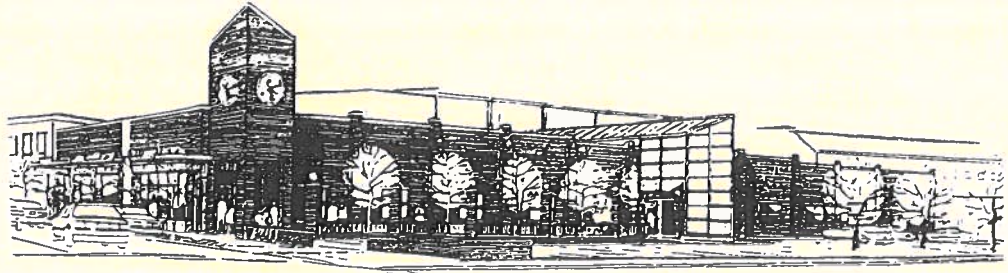
If the US Department of the Treasury, Office of Recovery Programs has questions regarding this plan, please call Steven Repole at 410 398 4170.

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Robert J. Alt, Mayor

Board of Commissioners:

Town Administrator:

Jean A. Broomell

Robert M. Massimiano

Lewis H. George, Jr.

Charles H. Givens, Sr. Earl M. Piner, Sr.

## **TOWN OF ELKTON CORRECTIVE ACTION PLAN YEAR ENDED JUNE 30, 2022**

### **FINDINGS—FEDERAL AWARD PROGRAMS AUDITS**

U.S. Department of Treasury

2022-006 COVID-19 – Coronavirus State and Local Relief Funds (CSLRF)– Assistance Listing No. 21.027

Recommendation: The Town should review and enhance its reporting procedures and controls to ensure that quarterly performance reports are submitted no later the last day of the month after the end of each quarter.

Explanation of disagreement with audit finding: **There is no disagreement with the audit finding.**

Action taken in response to finding: Subsequent reports were filed by the due date and this is expected to continue.

Name(s) of the contact person(s) responsible for corrective action: Steven Repole

Planned completion date for corrective action plan: Completed for all subsequent reports.

If the US Department of the Treasury, Office of Recovery Programs has questions regarding this plan, please call Steven Repole at 410 398 4170.

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