

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

SINGLE AUDIT REPORT

YEAR ENDED JUNE 30, 2020

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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**

To the Director of
Maryland Water Quality Financing Administration
Annapolis 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 business-type activities of the Maryland Water Quality Financing Administration (the Administration), an enterprise fund of the State of Maryland, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Administration's basic financial statements, and have issued our report thereon dated September 25, 2020.

Internal Control Over Financial Reporting

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

To the Director of
Maryland Water Quality Financing Administration

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Administration'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 Administration'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
September 25, 2020



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROLS OVER COMPLIANCE,
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

To the Director of
Maryland Water Quality Financing Administration
Baltimore, Maryland

Report on Compliance for Each Major Federal Program

We have audited the Maryland Water Quality Financing Administration's (the Administration) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Administration's major federal programs for the year ended June 30, 2020. The Administration's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Administration'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 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 Administration'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 Administration's compliance.

To the Director of
Maryland Water Quality Financing Administration

Opinion on Each Major Federal Program

In our opinion, the Administration 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, 2020.

Report on Internal Control Over Compliance

Management of the Administration 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 Administration's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program 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 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 Administration'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 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. *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 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 business-type activities of the Administration, an enterprise fund of the State of Maryland, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Administration's basic financial statements. We issued our report thereon dated September 25, 2020, 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. 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

To the Director of
Maryland Water Quality Financing Administration

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

CliftonLarsonAllen LLP

Baltimore, Maryland
September 25, 2020

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Grant Number	Award Amount	Amount Remaining	Passed Through to Subrecipients	Current Year Loan Disbursements	Current Year Federal Expenditures
U.S. Environmental Protection Agency							
Capitalization Grants for Clean Water	66.458	CS-240001-18	\$ 38,820,000	\$ -	\$ 38,820,000	\$ 37,272,878	\$ 38,820,000
State Revolving Fund (CWSRF)		CS-240001-19	38,429,000	38,429,000	-	-	-
Total CWSRF Cluster			<u>77,249,000</u>	<u>38,429,000</u>	<u>38,820,000</u>	<u>37,272,878</u>	<u>38,820,000</u>
Capitalization Grants for Drinking Water	66.468	FS-993648-17	13,955,575	-	-	-	1,319,642
State Revolving Fund (DWSRF)		FS-993648-18	20,348,000	3,974,319	14,040,120	12,716,565	16,373,681
		FS-993648-19	20,158,000	20,158,000	-	-	-
Total DWSRF Cluster			<u>54,461,575</u>	<u>24,132,319</u>	<u>14,040,120</u>	<u>12,716,565</u>	<u>17,693,323</u>
Total			<u>\$ 131,710,575</u>	<u>\$ 62,561,319</u>	<u>\$ 52,860,120</u>	<u>\$ 49,989,443</u>	<u>\$ 56,513,323</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

All federal grant operations of Maryland Water Quality Financing Administration (the Administration) are included in the scope of Title 2 U.S. Code of Federal Regulations part 200, *Uniform Administrative Requirements, 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 program noted below. This program represents federal award programs for fiscal year 2020 with cash and noncash expenditures to ensure coverage of at least 40% of federally granted funds. Actual coverage is 69% of total cash and noncash federal award program expenditures.

Expenditures reported on the schedule of expenditures of federal awards are reported in accordance with 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 Administration has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

<u>Major Program</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Environmental Protection Agency		
Capitalization Grants for Clean Water State Revolving Fund	66.458	\$ 38,820,000

NOTE 2 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Administration under programs of the federal government for the year ended June 30, 2020 and is presented on the accrual basis of accounting. The information in the 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*. Because the Schedule presents only a selected portion of the operations of the Administration, it is not intended to and does not present the net position, changes in net position, or cash flows of the Administration.

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2020**

NOTE 3 LOANS

The Administration has loans outstanding of \$1,347,950,854 and \$243,333,489 as of June 30, 2020, in the Clean Water Revolving Funds and Drinking Water Fund, respectively, which were made with federal funds and the 20% state match and other sources of funding. Loans made with federal funds during the fiscal year ended June 30, 2020 are listed below.

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Fiscal Year 2020 Loan Disbursements
State Revolving Funds:		
Capitalization Grants for Clean Water	66.458	\$ 37,272,878
Capitalization Grants for Drinking Water	66.468	12,716,565
Total		<u>\$ 49,989,443</u>

NOTE 4 FEDERAL EXPENDITURES

Listed below are the federal programs for the year ended June 30, 2020:

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Grant Number	Administrative/ Set-Aside Cost	Current Year Federal Expenditures
U.S. Environmental Protection Agency				
Capitalization Grants for Clean Water	66.458	CS-240001-18	\$ -	\$ 38,820,000
State Revolving Fund		CS-240001-19	-	-
			<u>-</u>	<u>38,820,000</u>
Capitalization Grants for Drinking Water	66.468	FS-993648-17	1,319,642	1,319,642
State Revolving Fund		FS-993648-18	2,333,561	16,373,681
		FS-993648-19	-	-
			<u>3,653,203</u>	<u>17,693,323</u>
Total			<u>\$ 3,653,203</u>	<u>\$ 56,513,323</u>

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION
SCHEDULES OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Section I – Summary of Auditors’ Results

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? _____ yes x 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? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

CFDA Number(s)

66.458

Name of Federal Program or Cluster

Capitalization Grants for Clean Water State Revolving Fund

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

\$ 1,695,399

Auditee qualified as low-risk auditee?

_____ yes x no

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).