

**BOARD OF EDUCATION OF BALTIMORE COUNTY**

Single Audit Report

Year ended June 30, 2004

(With Independent Auditors' Reports on Internal Controls  
and Compliance and Other Matters thereon)

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**BOARD OF EDUCATION OF BALTIMORE COUNTY  
SINGLE AUDIT REPORT**

**Table of Contents**

	<b>Page</b>
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 <i>Government Auditing Standards</i>	1
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program, Internal Control Over Compliance, and the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133	3
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	13
Schedule of Findings and Questioned Costs	14



KPMG LLP  
111 South Calvert Street  
Baltimore, MD 21202

**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***

Board of Education of Baltimore County  
Towson, Maryland

We have audited the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Board of Education of Baltimore County (the Board), a component unit of Baltimore County, Maryland, as of and for the year ended June 30, 2004, which collectively comprise the Board's basic financial statements and have issued our report thereon dated September 27, 2004. 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.

***Internal Control over Financial Reporting***

In planning and performing our audit, we considered the Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Board's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 04-01, 04-02, and 04-03.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 04-02 and 04-03 to be material weaknesses.



### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Board's basic 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying findings and questioned costs as item 04-03.

We also noted certain matters that we reported to management of the Board in a separate letter dated September 30, 2004.

This report is intended solely for the information and use of the Board, management 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.

KPMG LLP

September 27, 2004



KPMG LLP  
111 South Calvert Street  
Baltimore, MD 21202

**Independent Auditors' Report on Compliance  
With Requirements Applicable to Each Major Program, Internal Control  
Over Compliance, and the Schedule of Expenditures of Federal Awards  
in Accordance With OMB Circular A-133**

Board of Education of Baltimore County  
Towson, Maryland:

***Compliance***

We have audited the compliance of the Board of Education of Baltimore County (Board), a component unit of Baltimore County, Maryland, 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, 2004. The Board's major federal programs are identified in the summary of auditors' 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 Board's management. Our responsibility is to express an opinion on the Board'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; 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 Board's compliance with those requirements and performing such other procedures, as we consider 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 Board's compliance with those requirements.

As described in item 04-04, 04-07, 04-08 and 04-09 in the accompanying schedule of findings and questioned costs, the Board did not comply with requirements regarding allowable costs and cost principles and reporting requirements that are applicable to its Child Nutrition and Special Education clusters. Compliance with such requirements is necessary, in our opinion, for the Board to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Board complied, in all material respects, with the requirements referred to above that are applicable to its Child Nutrition and Special Education clusters for the year ended June 30, 2004.



As described in items 04-04 and 04-11 in the accompanying schedule of findings and questioned costs, the Board did not comply with requirements regarding allowable costs and cost principles and special tests and provisions that are applicable to its Title I, Part A *Grants to Local Educational Agencies* program. Compliance with such requirements is necessary, in our opinion, for the Board to comply with requirements applicable to that program.

In our opinion, because of the effects of the noncompliance described in the preceding paragraph, the Board did not comply in all material respects, with the requirements referred to above that are applicable to Title I, Part A *Grants to Local Educational Agencies*.

In our opinion, except for the noncompliance described in the preceding paragraphs, the Board 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, 2004.

### ***Internal Control Over Compliance***

The management of the Board 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 Board's internal control over compliance with 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over compliance that, in our judgment, could adversely affect the Board's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 04-04 through 04-12.

A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 04-04 to be a material weakness.

### ***Schedule of Expenditures of Federal Awards***

We have audited the basic financial statements of the Board as of and for the year ended June 30, 2004, and have issued our report thereon dated September 27, 2004. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to basic financial statements taken as a whole.



This report is intended solely for the information and use of the Board, management, 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.

KPMG LLP

November 29, 2004, except for our report on the  
Schedule of Expenditures of Federal Awards which is  
as of September 27, 2004

**BOARD OF EDUCATION OF BALTIMORE COUNTY**

Schedule of Expenditures of Federal Awards

For the Year ended June 30, 2004

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Grant or Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
U. S. Department of Agriculture:			
Pass-through programs from Maryland State Department of Education:			
Federal Donations of Food Commodities	10.550	—	\$ 1,651,012
National School Lunch Program	10.555	—	9,603,753
After-School Snack Program	10.555		23,395
National School Breakfast Program	10.553	—	2,522,273
National School Summer Food Service Program	10.559	—	<u>232,223</u>
Total U.S. Department of Agriculture			<u>14,032,656</u>
U. S. Department of Commerce:			
National Oceanic and Atmospheric Administration Direct Program:			
Bay Quest FY 03	11.457	NA17FU2862	5,508
Pass-through program from Maryland State Department of Education:			
Schoolyard Habitat FY 04	11.457	401798-01	<u>6,658</u>
Total Department of Commerce			<u>12,166</u>
National Security Agency:			
Mathematical Sciences Program			
Pass-through program From University of Maryland – Eastern Shore			
Project TEAM FY 04	12.901	—	11,842
Direct Program:			
SEIST FY 04 – 05	12.901	H98230-04-02-0001	3,971
SEIST FY 2002 – 2003	12.901	MDA904-02-2-003	82
SEIST FY 03	12.901	MDA904-03-2	<u>38,685</u>
Total National Security Agency			<u>54,580</u>
U.S. Department Of Justice:			
Pass-through Baltimore County Local Management Board:			
Project FACE FY 03	16.523	JAIB-2001-104	8,706
Project FACE FY 04	16.523	JAIB-2001-1079	<u>101,832</u>
Total U.S. Department of Justice			<u>110,538</u>
U.S. Department of Labor:			
Job Training and Partnership Act:			
Pass-through programs from Baltimore County, Maryland:			
Schools to Careers FY 03	17.249	302159	41,785
WIA Youth Activities:			
Steps to Success FY 04	17.259	BC 42052	<u>163,445</u>
Total U. S. Department of Labor			<u>205,230</u>

**BOARD OF EDUCATION OF BALTIMORE COUNTY**

Schedule of Expenditures of Federal Awards

For the Year ended June 30, 2004

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Grant or Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
National Science Foundation:			
Direct Program:			
NSF SUPER STEM FY 03	47.076	EHR-0227256	\$ 603,351
U.S. Federal Emergency Management Agency:			
Pass-through Maryland Emergency Management Agency			
Federal Emergency Management Agency Grant FY 04 (formerly 83.544)	97.036	005-03D7F-00	99,964
U. S. Department of Education:			
Adult Education State Grant program:			
Pass-through program from Maryland State Department of Education:			
NALS 1 and 2 FY 04	84.002	400403-01	8,332
NALS 3 FY 04	84.002	400403-02	2,240
Local Institutionalized FY 04	84.002	400403-03	<u>3,406</u>
Total Adult Education Programs			13,978
Title I Grants to Local Educational Agencies:			
Pass-through program from Maryland State Department of Education:			
FY 02 Title I	84.010A	232456-01	4,660
Title I FY 03	84.010	330693-01	6,446,965
FY 03 Delinquent at Risk Youth	84.010	330693-04	44,577
Title I FY 04	84.010	400571-01	9,616,439
Delinquent and At Risk Youth FY 04	84.010	400572-01	29,498
School Improvement FY 04	84.010	400903-01	100,732
Title I School Improvement FY 04	84.010	401780-01	<u>30,328</u>
Total Title I Grant			16,273,199
Special Education:			
Pass-through program from Maryland State Department of Education:			
Behavioral Intervention FY 03	84.027	301368-01	32,821
Preschool Inclusive Collaboration FY 03	84.027	330808-01	9,954
Interschool Partnership FY 03	84.027	301851-01	35,258
Towson University Outreach FY 03	84.027	302331-02	12,720
CSPD/MSPP FY 03	84.027	330364-03	29,910
LRE FY 03	84.027	330364-04	43,590
Supplemental Pass-through FY 04	84.027	400255-07	16,000
Pass-through FY 04	84.027	400255-01	15,501,676
Infants and Toddlers Part B FY 04	84.027	400026-05	123,214
Effective Environment	84.027	400496-02	20,553
Interschool Partnership FY 04	84.027	400490-02	23,377
Disproportional FY 04	84.027	400800-01	8,600

**BOARD OF EDUCATION OF BALTIMORE COUNTY**

Schedule of Expenditures of Federal Awards

For the Year ended June 30, 2004

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Grant or Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
U. S. Department of Education, continued:			
Special Education, continued:			
Pass-through program from Maryland State Department of Education, continued:			
Alt. – MSA FY 04	84.027	400255-11	\$ 1,998
CSPD/MSPP FY 04	84.027	400255-08	34,156
LRE FY 04	84.027	400255-10	169,546
SIG YR 5 – Subs FY 04	84.027	400255-09	<u>5,738</u>
Total Special Education			16,069,111
Vocational Education Basic Grants To States:			
Pass-through program from Maryland State Department of Education:			
Perkins FY 03	84.048	330860-01	103,973
Perkins FY 04	84.048	400783	1,077,542
NATEF Eastern Tech FY 04	84.048	401977	3,166
NATEF Milford Mill FY 04	84.048	401976	2,019
Print Ed Sollers Point FY 04	84.048	401990	1,850
Print Ed Overlea HS FY 04	84.048	401991	1,850
Print Ed Kenwood HS FY 04	84.048	401992	<u>1,850</u>
Total Perkins			1,192,250
Special Education: Preschool – IDEA Part B:			
Pass-through program from Maryland State Department of Education: Department of Education:			
Infants and Toddlers Part B 619	84.173	400026-03	9,000
Preschool Pass-through FY 04	84.173	400255-04	<u>801,863</u>
Total IDEA Part B			810,863
Special Education: Preschool – IDEA Part C:			
Pass-through program from Maryland State Department of Education:			
Out of County FY 03	84.181A	302023	151
Infants and Toddlers Part C FY 03	84.181A	301811-01	604
Infants and Toddlers Part C FY 04	84.181A	400026-01	<u>776,660</u>
Total IDEA Part C			776,815
Safe and Drug Free Schools and Communities:			
Pass-through program from Maryland State Department of Education:			
FY 04 Title IV – Safe and Drug Free Schools	84.186	400576-01	493,772
FY 03 Title IV – Safe and Drug Free Schools	84.186	330693-02	107,646

**BOARD OF EDUCATION OF BALTIMORE COUNTY**

Schedule of Expenditures of Federal Awards

For the Year ended June 30, 2004

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Grant or Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
U. S. Department of Education, continued:			
Safe and Drug Free Schools and Communities, continued:			
Pass-Through Baltimore County Local Management Board:			
Behavior Management Training FY 03	84.186	SDFS-2002-1020	\$ 2,869
Behavior Management Training FY 04	84.186	SDFS-2003-1008	242,758
Total Safe and Drug Free Schools			847,045
Pass-through program from Maryland State Department of Education:			
Education for Homeless Children and Youth FY 03	84.196A	301783	24,396
Education for Homeless Children and Youth FY 04	84.196A	400925-01	76,014
Total Education for Homeless Children and Youth			100,410
Even Start Educational Agencies:			
Pass-through program from Maryland State Department of Education:			
Even Start FY 04	84.213C	400965-01	12,756
Fund for Improvement of Education – ESEA Title X			
Pass-through program from Maryland State Department of Education:			
Summer Pilot Program FY 03	84.215K	301762-03	4,972
Direct Program:			
FY 02 Teaching American History	84.215X	S215X010213	201,965
Smaller Learning Communities FY 04	84.215L	V215L030130	93,434
Total Fund for Improvement of Education			300,371
Foreign Language Assistance Program:			
Direct Program:			
FLAP FY 04	84.293B	T293B030170	20,727
Foreign Language Incentive Program:			
Direct Program:			
French Immersion Program FY 03	84.294A	T294A020078	1,567
Innovative Education Program Strategies:			
Pass-through program from Maryland State Department of Education:			
Title V FY 03	84.298	330387-01	110,517
Title V FY 04	84.298	400577-01	608,380
Total Innovative Education Program Strategies			718,897
Technology Innovation Challenge Grants:			
Pass-through program from Montgomery County Public Schools:			
Technology Innovation Challenge YR5 FY 03	84.303A	—	157,919

**BOARD OF EDUCATION OF BALTIMORE COUNTY**

Schedule of Expenditures of Federal Awards

For the Year ended June 30, 2004

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Grant or Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
U. S. Department of Education, continued:			
Technology Literacy Challenge Fund Grant:			
Pass-through program from Maryland State Department of Education:			
Education Technology Formula FY 03	84.318	330849-01	\$ 195,221
Online Technology Assessment Tools FY 03	84.318	301176-01	64,272
Maryland Students Online FY 03	84.318	301177-01	156,969
Education Technology Formula FY 04	84.318	400574-001	143,100
MD K – 12 Digital Library FY 04	84.318	301178-01	8,838
Maryland Students Online FY 04	84.318	401495-01	1,440
Pass-through program from Prince George's County Public Schools:			
Project OPEN FY 03	84.318	301767	9,029
Curriculum Management Consortium FY 03	84.318	301766	15,000
Project OPEN FY 04	84.318	301767	4,584
Pass-through program from Carroll County Public Schools:			
Learning Management Systems FY 03	84.318	301497	4,995
Pass-through program from Montgomery County:			
Student Technology Literacy FY 04	84.318	401494	1,173
Pass-through program from Washington County:			
Ed Tech Research FY 03	84.318	301515-01	7,312
Total Technology Literacy Challenge Fund			<u>611,933</u>
Advanced Placement Incentive Program:			
Pass-through program from Maryland State Department of Education:			
Advanced Placement : Great Expectations FY 04	84.330C	401656-01	3,181
Baldrige Advanced Placement Woodlawn HS FY 04	84.330A	401769-01	2,220
Baldrige Advanced Placement Lansdowne HS FY 04	84.330A	401954-01	1,110
Total Advanced Placement			<u>6,511</u>
Comprehensive School Reform Demonstration:			
Pass-through program from Maryland State Department of Education:			
Comprehensive School Reform FY 03	84.332A	330303-01	22,799
Comprehensive School Reform FY 04	84.332A	400991-01	96,271
Total Comprehensive School Reform			<u>119,070</u>
Gaining Early Awareness and Readiness for Undergraduate Program:			
Pass-through program from Maryland State Department of Education:			
Gear Up FY04	84.334A	400852-01	131,277
Gear Up FY 03	84.334A	331008-01	53,329
Gear Up Summer FY 03	84.334A	400841-01	4,000
Total Gear Up			<u>188,606</u>

**BOARD OF EDUCATION OF BALTIMORE COUNTY**

Schedule of Expenditures of Federal Awards

For the Year ended June 30, 2004

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Grant or Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U. S. Department of Education, continued:			
Reading Excellence Act:			
Pass-through program from Maryland State Department of Education: Reading Excellence Act II FY 02	84.338	302298-01	\$ 14,485
Title I Accountability Grants:			
Pass-through program from Maryland State Department of Education: New School Improvement Funds FY 02	84.348	232456-02	583
School Renovation Grants:			
Pass-through program from Maryland State Department of Education: Assistive Technology FY 02	84.352A	234304	50,207
Assistive Technology Support FY 02	84.352A	301364	345
Assistive Technology Support FY 04	84.352A	400845-01	<u>19,975</u>
Total School Renovation Grants			70,527
Reading First State Grants:			
Pass-through program from Maryland State Department of Education: Reading First FY 04	84.357A	401857-01	36,444
English Language Acquisition:			
Pass-through program from Maryland State Department of Education: English Language Acquisition FY 03	84.365A	330888-01	12,896
Title III - Language Acquisition FY 04	84.365A	400575-01	<u>250,870</u>
Total English Language Acquisition			263,766
Improving Teacher Quality State Grants:			
Pass-through program from Maryland State Department of Education: Title II FY 03	84.367	330563-02	2,393,374
Title II FY 04	84.367	400573-01	<u>496,459</u>
Total Improving Teacher Quality State Grants			<u>2,889,833</u>
Total U. S. Department of Education			<u>41,497,666</u>
U.S. Department of Health and Human Services:			
Acquired Immunodeficiency Syndrome (AIDS) Activity:			
Pass-through program from Maryland State Department of Education: FY 03 Sexual Harassment and Assault Prevention	93.126	301691-01	7,397
Sexual Harassment and Assault Prevention FY 04	93.126	400371-01	11,113
Sexual Harassment and Assault Prevention FY 04	93.126	400946-01	<u>3,556</u>
Total Acquired Immunodeficiency Syndrome (AIDS) Activity			22,066

**BOARD OF EDUCATION OF BALTIMORE COUNTY**

Schedule of Expenditures of Federal Awards

For the Year ended June 30, 2004

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Grant or Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services, continued:			
Temporary Assistance for Needy Families:			
Pass-through program from Maryland State Department of Education:			
FY 03 SAFE – Dropout Prevention	93.558	330693-03	\$ 102,168
Dropout Prevention FY 04	93.558	400445-01	<u>402,439</u>
Total Temporary Assistance for Needy Families			<u>504,607</u>
Total U.S. Department of Health and Human Services			<u>526,673</u>
Corporation for National and Community Service:			
Learn and Service America:			
Pass-through program from Maryland State Department of Education:			
FY 03 Learn and Service America	94.004	331068-01	218
FY 04 Learn and Service America	94.004	400983-01	<u>8,338</u>
Total Corporation for National and Community Service			<u>8,556</u>
Other Federal Award Programs:			
Direct Programs:			
Troops to Teachers Recruitment	12.000	—	9,007
NASA Woodlawn High First FY 03	43.000	NCC5-618	4,865
NASA Woodlawn High First FY 04	43.000	NCC5-618	<u>11,000</u>
Total Other Federal Award Programs			<u>24,872</u>
Total Expenditures of Federal Awards			\$ <u><u>57,176,252</u></u>

See accompanying notes to schedule

**BOARD OF EDUCATION OF BALTIMORE COUNTY**

Notes to Schedule of Expenditures of Federal Awards

June 30, 2004

**(1) Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Board of Education of Baltimore County, Maryland (Board), a component unit of Baltimore County, Maryland and is presented on the modified accrual basis of accounting, except for the U.S. Department of Agriculture programs which are presented using the accrual basis. These bases are described in note 1 to the Board's basic financial statements. The value of food commodities donated by the United States Department of Agriculture (Department) is determined by the Department and is included in revenues and expenditures in the year used.

**(2) Relation to Basic Financial Statements and Federal Financial Reports**

Except as noted in the following reconciliation, amounts reported in the accompanying Schedule agree with amounts reported in the Board's basic financial statements and the related federal financial reports submitted by the Board.

The following is a reconciliation of federal awards reported in the Schedule to federal revenue reported in the Board's basic financial statements for the year ended June 30, 2004:

Total federal expenditures reported in the Schedule	\$ 57,176,252
Federal revenues included in the basic financial statements that are not required to be included in the Schedule:	
Medicaid funds under contract for services	10,613,329
R.O.T.C. funds under contract for services	481,821
Other miscellaneous items	<u>(2,813)</u>
Total	\$ <u>68,268,589</u>
Total federal revenues reported in the basic financial statements:	
Special Revenue fund	\$ 54,135,969
Food Service fund	14,032,656
General fund	<u>99,964</u>
	\$ <u>68,268,589</u>

**(3) Subrecipients**

Of the federal expenditures presented in the Schedule, the Board provided a federal award to a subrecipient as follows:

<u>Program title</u>	<u>Federal CFDA number</u>	<u>Amount provided to subrecipient</u>
School-University Partnership for Excellence in Research-based Science, Technology, Engineering and Math Program (NSF SUPERSTEM FY03)	47.076	\$ 327,201

**BOARD OF EDUCATION OF BALTIMORE COUNTY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

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

Type of auditors' report issued Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? Yes

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified? Yes
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes

Type of auditors' report issued on compliance for major programs? Unqualified, except for Child Nutrition and Special Education Clusters which were qualified and Title I, Part A which was adverse

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes

Identification of major programs:

<u>Program Cluster or Name</u>	<u>CFDA Number</u>
Special Education Cluster	84.027 84.173
Child Nutrition Cluster	10.553 10.555 10.559
Improving Teacher Quality State Grants (Title II, Part A)	84.367
Title I Grants to Local Educational Agencies (LEAs)	84.010

Dollar threshold used to distinguish between Type A and Type B programs? \$1,715,288

Auditee qualified as a low-risk auditee? No

**BOARD OF EDUCATION OF BALTIMORE COUNTY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

**Section II — Financial Statement Findings**

**Finding 04-01**

**Lack of Journal Entry Approval**

**Criteria:**

Controls must be in place to ensure amounts recorded in the general ledger and the financial statements are materially correct and properly supported.

**Condition:**

Effective November 1, 2003, the Board implemented control procedures to ensure that journal entries are accurately prepared, contain adequate supporting documentation and are properly approved by someone other than the original preparer.

Of the thirty journal entries selected for testwork, ten entries that were prepared prior to November 1, 2003, were not approved by someone other than the original preparer.

**Effect:**

The Board's procedures and controls were not adequate to ensure amounts recorded in the general ledger and the financial statements were materially correct and properly supported for the period of July 1, 2003 through November 1, 2003.

**Questioned Costs:**

None

**Recommendation:**

We recommend that the Board continue to maintain the newly implemented procedures and controls over the amounts recorded in the general ledger and the financial statements by continuing to require review and approval of all manual journal entries by an appropriate level person other than the original preparer.

**Management's Response:**

The Controller's Office will continue to enforce the procedures that were implemented on November 1, 2003.

**BOARD OF EDUCATION OF BALTIMORE COUNTY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

**Finding 04-02**

**Incorrect Reporting Of Encumbrances**

**Criteria:**

Controls must be in place to ensure that amounts recorded in the general ledger and the financial statements are materially correct and properly supported and that the financial statements are fairly presented in accordance with accounting principles generally accepted in the United States of America (GAAP).

National Council on Governmental Accounting Statement No. 1, *Governmental Accounting and Financial Reporting Principles* (NCGAS 1), ¶91 states that encumbrance accounting should be used to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. NCGAS 1, ¶91 also states that encumbrances outstanding at year-end represent the estimated amount of expenditures ultimately to result if unperformed contracts in process at year-end are completed. Encumbrances at year-end do not constitute expenditures or liabilities.

**Condition:**

The Board's methodology for recording encumbrances is not in accordance with GAAP. Specifically, the Board recorded encumbrances in the general fund for purchases of goods and services supported by contracts and purchase orders entered into subsequent to June 30, 2004, totalling approximately \$1,723,000. The Board subsequently adjusted the reserve for encumbrances in the general fund for the full \$1,723,000 of encumbrances noted above.

**Effect:**

The Board's procedures and controls should be adjusted because encumbrances recorded in the general ledger and the financial statements after June 30, 2004, were not in accordance with GAAP.

**Questioned Costs:**

None

**Recommendation:**

We recommend that the Board revise its methodology and controls to limit the recording of encumbrances to only those items for which an executed contract or purchase order exists as of year-end.

**Management's Response:**

Management will adjust its methodology related to encumbrances made subsequent to the end of the fiscal year.

**BOARD OF EDUCATION OF BALTIMORE COUNTY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

**Finding 04-03**

**Lack Of Time and Effort Reporting For Costs Charged to Federal Programs**

**Criteria:**

In accordance with OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments Notice*, in order to support salary and related costs charged to Federal programs, monthly effort reports of actual time spent on federal programs are required for employees engaged in two or more federal programs or activities and semi-annual reports are required for employees engaged in only one federal program or other project or activity that could affect the charges to Federal programs.

Per Financial Accounting Standards Board Statement No.5 (FASB No.5), *Accounting for Contingencies*, ¶ 8, an estimated loss from a loss contingency shall be accrued by a charge to income if information available prior to issuance of the financial statements indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements and the amount of loss can be reasonably estimated.

**Condition:**

Of the thirty-four payroll transactions tested for the Title I Program, *Grants to Local Educational Agencies*, twenty-three of the individuals did not prepare the required effort certification reports.

In addition, of the forty payroll transactions tested for the Child Nutrition Cluster, five of the individuals did not prepare the required effort certification reports.

**Effect:**

Costs submitted for reimbursement are not supported in accordance with OMB A-87. Unsupported charges to Federal programs may result in the request for repayment of such charges to the Federal government and the potential accrual of a liability in the Board's financial statements in accordance with FASB No. 5.

**Known Questioned Costs:**

\$392,698 representing salaries and related costs charged to the Title I, Part A Program for the twenty-three individuals that were not in compliance with OMB A-87.

\$33,829 representing salaries and related costs charged to the Child Nutrition Cluster for the five individuals that were not in compliance with OMB A-87.

**Likely Questioned Costs:**

\$8,120,856 representing the error rate of 68% for the individuals that were not in compliance with OMB A-87 multiplied by total salaries and related costs charged to the Title I, Part A Program of \$11,942,435.

\$513,590 representing 41.9% for the total Federal reimbursement for the severe need breakfast labor costs of \$1,225,751.

**Recommendation:**

We recommend that the Board implement procedures to ensure that the necessary effort certification reports are prepared in accordance with OMB Circular A-87 for all of its Federal programs.

**BOARD OF EDUCATION OF BALTIMORE COUNTY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

**Management's Response:** Management concurs that the necessary effort certification reports be prepared in accordance with OMB Circular A-87 for all of its Federal programs.

Upon notification of the possible finding related to time certification, management began development and implementation of a Title I time and effort (T&E) certification corrective action plan. In addition, on September 2, 2004, management met with officials of Maryland State Department of Education (MSDE) to clarify their reporting expectations. Based on the audit findings and clarification from MSDE, management has aggressively pursued a detailed corrective action plan. The plan includes retroactive documentation of the Title I audit sample, system-wide training, updating of all existing procedures and processes, and an increase in on-going monitoring procedures. In addition, some of the questioned costs noted in the audit have been resolved within the grant period.

Management changed time and effort certification procedures in the Child Nutrition Cluster during the fiscal year. No errors were found after the new procedures were established. Management will continue to operate with the newly implemented and effective controls.

**BOARD OF EDUCATION OF BALTIMORE COUNTY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

**Section III — Federal Awards Findings and Question Costs**

<b>Finding 04-04</b>	<b>Lack Of Time and Effort Reporting For Costs Charged to Federal Programs</b> <i>(A similar finding was noted in the prior year as finding # 03-06)</i>
<b>Programs:</b>	U.S. Department of Agriculture (USDA) (Pass-Through Program from Maryland State Department of Education (MSDE)) Child Nutrition Cluster CFDA Numbers 10.553, 10.555 and 10.559  U.S. Department of Education (Pass-Through Program from MSDE) Title I, Part A Grants to Local Educational Agencies CFDA Number 84.010
<b>Criteria:</b>	In accordance with OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments Notice, in order to support salary and related costs charged to Federal programs, monthly effort reports of actual time spent on federal programs are required for employees engaged in two or more federal programs or activities and semi-annual reports are required for employees engaged in only one federal program or other project or activity that could affect the charges to Federal programs.  Per discussion with USDA, for the Child Nutrition Cluster, effort certification reports are only required for the federal reimbursement of severe needs breakfast costs.
<b>Condition:</b>	Of the thirty-four payroll transactions tested for the Title I, Part A program, Grants to Local Educational Agencies, twenty-three of the individuals did not prepare the required effort certification reports.  In addition, of the forty payroll transactions tested for the Child Nutrition Cluster, five individuals reimbursed for severe needs breakfast costs did not prepare the required effort certification reports for the first six months of the fiscal year.
<b>Effect:</b>	Costs submitted for reimbursement are not supported in accordance with OMB A-87.
<b>Known Questioned Costs:</b>	\$392,698 representing salaries and related costs charged to the Title I, Part A Program for the twenty-three individuals that were not in compliance with OMB A-87.  \$33,829 representing salaries and related costs charged to the Child Nutrition Cluster for the five individuals that were not in compliance with OMB A-87.
<b>Likely Questioned Costs:</b>	\$8,120,856 representing the error rate of 68% for the individuals that were not in compliance with OMB A-87 multiplied by total salaries and related costs charged to the Title I, Part A Program of \$11,942,435.

## BOARD OF EDUCATION OF BALTIMORE COUNTY

### Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Effective January 1, 2004, the Board implemented a corrective action plan to address the lack of time and effort reporting in its severe needs breakfast program, the only part of the Child Nutrition Cluster that requires time and effort reporting. The fiscal year 2004 total federal reimbursement for severe need breakfast labor costs was \$1,225,751 and it is estimated that 41.9% of the total severe need breakfast program salaries and related costs were incurred from July 1, 2003 through December 31, 2003. Since time and effort reporting was not performed from July 1, 2003 through December 31, 2003 for the severe needs breakfast program, likely questioned costs are calculated as 41.9% of \$1,225,751 or \$513,617.

**Recommendation:** We recommend that the Board implement procedures to ensure that the necessary effort certification reports are prepared in accordance with OMB Circular A-87 for all of its Federal programs.

**Management's Response:** Management concurs that the necessary effort certification reports be prepared in accordance with OMB Circular A-87 for all of its Federal programs.

Upon notification of the possible finding related to time certification, management began development and implementation of a Title I time and effort (T & E) certification corrective action plan. In addition, on September 2, 2004, management met with officials of Maryland State Department of Education (MSDE) to clarify their reporting expectations. Based on the audit findings and clarification from MSDE, management has aggressively pursued a detailed corrective action plan. The plan includes retroactive documentation of the Title I audit sample, system-wide training, updating of all existing procedures and processes, and an increase in on-going monitoring procedures. In addition, some of the questioned costs noted in the audit have been resolved within the grant period.

Management changed time and effort certification procedures in the Child Nutrition Cluster during the fiscal year. No errors were found after the new procedures were established. Management will continue to operate with the newly implemented and effective controls.

**BOARD OF EDUCATION OF BALTIMORE COUNTY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

**Finding 04-05**

**Lack of Approval Over Transfer of Funds**

*(A similar finding was noted in the prior year as finding # 03-02)*

**Programs:**

U.S. Department of Education (Pass-Through Program from MSDE)  
Special Education Cluster  
CFDA Numbers 84.027 and 84.173

U.S. Department of Agriculture (Pass-Through Program from MSDE)  
Child Nutrition Cluster  
CFDA Numbers 10.553, 10.555 and 10.559

U.S. Department of Education (Pass-Through Program from MSDE)  
Title I, Part A Grants to Local Educational Agencies  
CFDA Number 84.010

U.S. Department of Education (Pass-Through Program from MSDE)  
Title II, Part A Grants to Local Educational Agencies  
CFDA Number 84.367

**Criteria:**

Per Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations (OMB A-133), recipients of Federal awards are responsible for establishing and maintaining effective internal controls over the activities allowed or unallowed and allowable costs/cost principles compliance requirements related to Federal awards, including transfers of funds to and from program accounts.

**Condition:**

The Board transfers funds to and from program accounts via journal entries.

Effective November 1, 2003, the Board implemented control procedures to ensure that journal entries are accurately prepared, contain adequate supporting documentation and are properly approved by someone other than the original preparer.

Of the forty journal entries tested in the Special Education Cluster, one entry that was prepared prior to November 1, 2003 was not approved by someone other than the original preparer.

Of the forty journal entries tested in the Child Nutrition Cluster, four entries that were prepared prior to November 1, 2003 were not approved by someone other than the original preparer.

Of the forty journal entries tested in the Title I, Part A program, six entries that were prepared prior to November 1, 2003 and one entry that was prepared in November 2003 were not approved by someone other than the original preparer.

Of the twenty-four journal entries tested in the Title II program, three entries that were prepared prior to November 1, 2003 were not approved by someone other than the original preparer.

**BOARD OF EDUCATION OF BALTIMORE COUNTY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

**Effect:** The Board's procedures and controls were not adequate to ensure amounts recorded in the general ledger were materially correct and properly supported for the period of July 1, 2003 through November 1, 2003.

The Board is not in compliance with the OMB A-133 requirement of maintaining effective internal controls over the compliance requirements related to Federal awards.

**Questioned Costs:** None

**Recommendation:** We recommend that the Board continue to maintain the newly implemented procedures and controls over the amounts recorded in the general ledger, including transfers to and from program accounts by continuing to require review and approval of all manual journal entries by an appropriate level person other than the original preparer.

**Management's Response:** The Controller's Office will continue to enforce the procedures that were implemented on November 1, 2003.

**BOARD OF EDUCATION OF BALTIMORE COUNTY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

<b>Finding 04-06</b>	<b>Prompt Transfer of Federal Reimbursement Into the Food Service Account</b>
<b>Program:</b>	U.S. Department of Agriculture (Pass-Through Program from MSDE) Child Nutrition Cluster CFDA Numbers 10.553, 10.555 and 10.559
<b>Criteria:</b>	<p>Per the U.S. Department of Agriculture Code of Federal Regulations (CFR) Title 7, Subtitle B, Chapter II, Subchapter A, Part 210.14 (c) Financial Assurances, the Board is required to operate its food service on a non-profit basis; all revenue generated by the Board must be used to operate and improve its food services. This requires the Board to provide a separate accounting for school food service by maintaining a separate food service account. In addition, the Board is required to promptly credit Federal reimbursement payments to its school food service account.</p> <p>Controls must be properly designed, in place and operating effectively to ensure that these requirements are met.</p>
<b>Condition:</b>	<p>The Board receives Federal reimbursement for program expenditures passed through from the Maryland Department of Education (MSDE) on a monthly basis. Reimbursed funds are deposited into the Board's general fund via wire transfer. MSDE notifies the Board's Office of Nutrition Services when the wire transfer occurs. The Office of Food and Nutrition Services prepares a journal entry to transfer the funds into the separate food service account in accordance with program requirements.</p> <p>Of the three months selected for testwork, we noted that two monthly transfers did not occur promptly. Specifically, for the months of September 2003 and April 2004, the completion of the transfers took eight and fourteen days, respectively.</p>
<b>Effect:</b>	The Board is not in compliance with the program requirements regarding the prompt transfer of Federal reimbursements into a separate food service account.
<b>Questioned Costs:</b>	None
<b>Recommendations:</b>	We recommend that the Board implement procedures and controls to ensure that Federal reimbursements are promptly transferred from its general fund into the school food service fund to ensure compliance with 7 CFR, Subtitle B, Chapter II, Subchapter A, Part 210.14 (c) Financial Assurances.
<b>Management's Response:</b>	Management has established a new revenue account in the Food Service fund where cash receipts identified as belonging to the Food Service enterprise fund will be recorded as received. These funds will no longer flow through the general fund.

**BOARD OF EDUCATION OF BALTIMORE COUNTY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

<b>Finding 04-07</b>	<b>Failure to Submit Bi-annual Progress Reports by the Required Deadline</b>
<b>Programs:</b>	U.S. Department of Education (Pass-Through Program from MSDE) Special Education Cluster CFDA Numbers 84.027 and 84.173
<b>Criteria:</b>	Per OMB A-133, recipients of Federal awards are responsible for complying with reporting requirements, including the submission of accurate information and with establishing and maintaining effective internal controls.  Entities that pass-through Federal funds to subrecipients may establish separate reporting requirements. MSDE requires the submission of a mid-term progress report and a final progress report for the Special Education program. These reports summarize the Board's activities, objectives, milestones that were scheduled, accomplished and planned during the period.
<b>Condition:</b>	Due to turnover in the Director's position of the Special Education program, the Board was unaware of this reporting requirement and the required reports were not filed by the required deadline. There are no controls in place to ensure that all Special Education program reporting requirements are met.
<b>Effect:</b>	The Board is not in compliance with the reporting requirements of MSDE.
<b>Questioned Costs:</b>	None
<b>Recommendations:</b>	We recommend that the Board implement procedures and controls to track the submission of required reports to ensure compliance with all Special Education reporting requirements.
<b>Management's Response:</b>	The Office of Special Education will implement procedures and controls to track the submission of required progress reports. Last year, the newly appointed Director of Special Education was unaware of this reporting requirement and will assume responsibility for timely submissions in the future.

**BOARD OF EDUCATION OF BALTIMORE COUNTY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

<b>Finding 04-08</b>	<b>Inaccurate Data Submitted on the SSIS Verification Report</b> <i>(A similar finding was noted in the prior year as finding # 03-03)</i>
<b>Programs:</b>	U.S. Department of Education (Pass-Through Program from MSDE) Special Education Cluster CFDA Numbers 84.027 and 84.173
<b>Criteria:</b>	<p>Per OMB A-133, recipients of Federal awards are responsible for complying with special tests and provisions related to reporting, including the submission of accurate information and with establishing and maintaining effective internal controls.</p> <p>Entities that pass-through Federal funds to subrecipients may establish separate reporting requirements. This special test and provision related to reporting is required by MSDE.</p>
<b>Condition:</b>	<p>The Board is responsible for electronically submitting the Special Services Information System (SSIS) Verification Report to MSDE annually. This report provides certain demographic information from the Individualized Education Program (IEP) of students receiving program services. In order to ensure the accuracy of the SSIS Verification report, thirty students were selected for testwork from the SSIS Verification Report submitted in February 2004. Of the thirty students selected, the IEP information for 10 students did not agree to the information entered on the SSIS Verification Report for one or more data elements listed on the report.</p> <p>These inaccuracies are the result of the Board inconsistently following the established procedures that ensure the accuracy of the information reported to MSDE.</p>
<b>Effect:</b>	The Board is not in compliance with the OMB A-133 requirement related to the submission of accurate information.
<b>Questioned Costs:</b>	Not determinable
<b>Recommendations:</b>	We again recommend that the Board reassess its existing internal controls over the preparation of the SSIS Verification Report to ensure the accuracy of information reported to MSDE.
<b>Management's Response:</b>	The Office of Special Education has revised its program review and support process which extends increased accountability to local schools to maintain accurate special education data. The system is implementing a web-based IEP system that will allow for the electronic transfer of real-time data.

**BOARD OF EDUCATION OF BALTIMORE COUNTY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

<b>Finding 04-09</b>	<b>Inaccurate Data Submitted on the SSIS Exit Verification Report</b> <i>(A similar finding was noted in the prior year as finding # 03-04)</i>
<b>Programs:</b>	U.S. Department of Education (Pass-Through Program from MSDE) Special Education Cluster CFDA Numbers 84.027 and 84.173
<b>Criteria:</b>	<p>Per OMB A-133, recipients of Federal awards are responsible for complying with special tests and provisions related to reporting, including the submission of accurate information and with establishing and maintaining effective internal controls.</p> <p>Entities that pass-through Federal funds to subrecipients may establish separate reporting requirements. This special test and provision related to reporting is required by MSDE.</p>
<b>Condition:</b>	<p>The Board is required to submit an annual Exit Verification Report to MSDE. This report represents a collection of data elements for all students who exited the Special Education program from July 1 2003 through June 30, 2004. All of the required data elements are contained in the Special Services Information System (SSIS), which is used by MSDE as a major source of information to meet its planning, monitoring and accounting responsibilities for the Special Education Cluster. The Board maintains its own database system, MIPES, which is used to maintain demographic and other student information.</p> <p>In order to ensure the accuracy of the information reported on the Exit Verification Report, thirty student records were selected from the Exit Verification Report and the information reported for selected data elements was traced to the information reported in MIPES. In addition, ten of the same thirty student records were selected and traced to source documentation located in the related student's file to ensure the validity of the information reported in the selected data elements.</p> <p>When the thirty student records were traced from the Exit Verification Report to MIPES, it was noted that information for several of the required data elements needed to be converted for the preparation of the Exit Verification Report. We also noted that the preparation of the Exit Verification Report required the use of multiple data sources. Of the ten student records traced to source documentation in the related student's file, four records contained inconsistencies between one or more data elements and the source documentation. Consequently, there was no indication of which data source was correct.</p> <p>These inaccuracies are the result of the Board not having a single data source to ensure the accuracy of the information reported to MSDE.</p>
<b>Effect:</b>	The Board is not in compliance with the OMB A-133 requirement related to the submission of accurate information.

**BOARD OF EDUCATION OF BALTIMORE COUNTY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

**Questioned Costs:** Not determinable

**Recommendation:** We again recommend that the Board reassess its internal controls over the compliance requirements related to Federal awards to ensure the accuracy of information reported to MSDE.

**Management's Response:** The Office of Special Education has reassessed its internal controls over the compliance requirements related to Federal awards to ensure the accuracy of information reported to MSDE. The system is implementing a web-based IEP system that will allow for the electronic transfer of real-time data.

**BOARD OF EDUCATION OF BALTIMORE COUNTY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

**Finding 04-10**

**Inaccurate Financial Status Reports**

**Programs:**

U.S. Department of Education (Pass-Through Program from MSDE)  
Special Education Cluster  
CFDA Numbers 84.027 and 84.173

**Criteria:**

Per OMB A-133, recipients of Federal awards are responsible for complying with reporting requirements, including the submission of accurate information and with establishing and maintaining effective internal controls.

Entities that pass-through Federal funds to subrecipients may establish separate reporting requirements. This reporting requirement is required by MSDE.

**Condition:**

The Board submits monthly Financial Status Reports (FSR) to MSDE to request reimbursement for expenditures incurred and paid during the reported month. MSDE uses these reports to determine the amount of reimbursement for program expenditures. The FSR is reviewed and approved by appropriate level personnel prior to submission to MSDE.

In order to prepare the FSR, a report is generated from the general ledger system, which summarizes expenditures incurred and paid during the month. During our testwork of all monthly reimbursement requests made during the year, we noted that the Board erroneously included expenditures related to a grant that is not part of the Special Education Cluster to prepare the monthly FSRs instead of including expenditures related to the proper grant. Consequently, the monthly requests for reimbursement of program expenditures were incorrect. The incorrect amounts requested for reimbursement were less than the amounts actually incurred and paid for program expenditures.

Although there was evidence of review and approval of each monthly FSR by appropriate level personnel, these controls were not operating effectively over program reporting requirements.

**Effect:**

The Board is not in compliance with the OMB A-133 requirement related to the submission of accurate information.

**Questioned Costs:**

None

**Recommendation:**

We recommend that the Board strengthen existing controls over the compliance requirements related to Federal awards to ensure the accuracy of information reported to MSDE.

**Management's Response:**

Management has improved the internal controls to ensure the accuracy of the Financial Status Report. An additional step has been added to the review process to ensure that the report is correct before it is sent to the State.

**BOARD OF EDUCATION OF BALTIMORE COUNTY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

<b>Finding 04-11</b>	<b>Teachers Not Meeting the Definition of Highly Qualified</b>
<b>Program:</b>	U.S. Department of Education (Pass-Through Program from MSDE) Title I, Part A Grants to Local Educational Agencies CFDA Number 84.010
<b>Criteria:</b>	Any teacher who is hired after the first day of the 2002- 2003 school year to teach a core academic subject and who works in a program supported with program funds must be highly qualified as defined by the Code of Federal Regulations (CFR) Title 34, Section 200.56.  In addition, controls must be properly designed, in place and operating effectively to ensure that this requirement is met.
<b>Condition:</b>	Of the forty teacher files selected, six did not meet the definition of highly qualified as defined by CFR Title 34, Section 200.56.  Controls are not in place and operating effectively to ensure that this requirement is met.
<b>Effect:</b>	The Board is not in compliance with the requirements of hiring highly qualified teachers as defined by CFR Title 34, Section 200.56.
<b>Questioned Costs:</b>	Undeterminable
<b>Recommendation:</b>	We recommend that the Board establish effective internal controls to ensure that teachers hired after the first day of the 2002 – 2003 school year to teach a core academic subject and who work in a program supported with program funds are highly qualified as defined by CFR Title 34, Section 200.56.
<b>Management’s Response:</b>	Management will implement controls that will effectively monitor and ensure compliance with this requirement.

**BOARD OF EDUCATION OF BALTIMORE COUNTY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

<b>Finding 04-12</b>	<b>Inaccurate Information Submitted on the Comparability Report</b>
<b>Program:</b>	U.S. Department of Education (Pass-Through Program from MSDE) Title I, Part A Grants to Local Educational Agencies CFDA Number 84.010
<b>Criteria:</b>	<p>Per OMB A-133, recipients of Federal awards are responsible for complying with reporting requirements, including the submission of accurate information and with establishing and maintaining effective internal controls.</p> <p>Per Title I, Part A Section 1120A(c) of the Elementary and Secondary Education Act (ESEA), a Local Educational Agency (LEA) may receive funds under Title I, Part A only if local funds used in participating schools to provide services that, taken as a whole, are at least comparable to services that the LEA is providing in schools not receiving Title I, Part A funds. An LEA may determine comparability by comparing the average number of students per instructional staff or the average staff salary per student in each school receiving Title I, Part A funds with those in schools that do not receive Title I, Part A funds.</p> <p>Each LEA is required to develop procedures for complying with the comparability requirements and implement the procedures annually. The LEA must maintain records, which are updated biennially, documenting compliance with the comparability requirements. The State Educational Agency (SEA), however, is ultimately responsible for ensuring that LEAs remain in compliance with the comparability requirement.</p> <p>Controls must be properly designed, in place and operating effectively to ensure that this requirement is met.</p>
<b>Condition:</b>	<p>Information used to prepare the Comparability Report is extracted from a database maintained by the Board. Although the Comparability Report documented compliance with the comparability requirement, the information on the report did not agree to the supporting documentation for two of the seventeen schools selected. This is the result of an error in the data extraction methodology that caused the enrollment data for the Board's middle schools to be added twice.</p> <p>Controls are not in place and operating effectively to ensure that this requirement is met.</p>
<b>Effect:</b>	The Board is not in compliance with the OMB A-133 requirement related to the submission of accurate information.
<b>Questioned Costs:</b>	None
<b>Recommendation:</b>	We recommend that the Board reassess its internal controls over the compliance requirements related to Federal awards to ensure the accuracy of information reported to MSDE.

**BOARD OF EDUCATION OF BALTIMORE COUNTY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

**Management's Response:** Management concurs that the Board must reassess its internal controls over the compliance requirements related to Federal awards to ensure the accuracy of information reported to MSDE. In January 2005, Federal and State Program, Position Management, and Instructional Technology staff will compile a formal written process that will indicate the responsibility for annual training of new staff and an annual review of the process.