

**BOARD OF EDUCATION OF BALTIMORE COUNTY**

Single Audit Report

Year ended June 30, 2005

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

**BOARD OF EDUCATION OF BALTIMORE COUNTY**

Single Audit Report

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**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, 2005, which collectively comprise the Board's basic financial statements and have issued our report thereon dated September 26, 2005. 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



We noted certain matters that we reported to management of the Board in a separate letter dated September 26, 2005.

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 26, 2005



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, 2005. 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 items 05-01 through 05-06 in the accompanying schedule of findings and questioned costs, the Board did not comply with requirements regarding allowable costs and cost principles, eligibility and special tests and provisions that are applicable to its Title I, Part A *Grants to Local Educational Agencies* program and Special Education cluster. Compliance with such requirements is necessary, in our opinion, for the Board to comply with the requirements applicable to those programs.

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 major federal programs for the year ended June 30, 2005.



## **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 05-01 through 05-07.

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 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, we believe that none of the reportable conditions described above is 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, 2005, and have issued our report thereon dated September 26, 2005. 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 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 special parties.

**KPMG LLP**

November 19, 2005, except for our report on the  
Schedule of Expenditures of Federal Awards which is  
as of September 26, 2005

**BOARD OF EDUCATION OF BALTIMORE COUNTY**

Schedule of Expenditures of Federal Awards

For the Year ended June 30, 2005

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U. S. Department of Agriculture:			
Pass-Through Programs from Maryland State			
Department of Education:			
Federal Donations of Food Commodities	10.550	—	\$ 1,644,990
National School Lunch Program	10.555	—	10,344,783
After-School Snack Program	10.555	—	14,741
National School Breakfast Program	10.553	—	2,759,488
National School Summer Food Service Program	10.559	—	238,340
Focus on Food Safety	10.560	500958-01	<u>1,000</u>
Total U.S. Department of Agriculture			<u>15,003,342</u>
U. S. Department of Commerce			
National Oceanic and Atmospheric Administration			
Pass-Through Program from Maryland State			
Department of Education:			
Schoolyard Habitat FY 04	11.457	401798-01	3,049
Environmental Education FY 05	11.457	501738-01	<u>16,268</u>
Total Department of Commerce			<u>19,317</u>
National Security Agency:			
Mathematical Sciences Program			
Pass-Through Program From University of Maryland- Eastern Shore			
Project TEAM FY 05	12.901	—	9,874
Direct Program:			
SEIST FY 04-05	12.901	H98230-04-02-0001	34,529
SEIST FY 05-06	12.901	H98230-05-2-0002	<u>15,649</u>
Total National Security Agency			<u>60,052</u>
U.S. Department of Justice			
Juvenile Justice and Delinquency Prevention			
Pass-through Program from Baltimore County, Maryland Local Management Board			
Behavior Management Training FY 05	16.540	JJAC-2004-1012	75,000

(Continued)

**BOARD OF EDUCATION OF BALTIMORE COUNTY**

Schedule of Expenditures of Federal Awards

For the Year ended June 30, 2005

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
U.S. Department of Labor:			
Job Training and Partnership Act:			
Pass-Through Programs from Baltimore County, Maryland:			
WIA Youth Activities:			
Steps to Success FY 05	17.259	M5011-5	\$ 164,675
National Science Foundation:			
Direct Program:			
NSF SUPER STEM FY 03	47.076	EHR-0227256	692,231
NSF STEM FY 05	47.076	EHR-0514420	89,630
Total National Science Foundation			<u>781,861</u>
U. S. Department of Education:			
Adult Education State Grant program:			
Pass-Through Program from Maryland State			
Department of Education:			
NALS 1 & 2 FY 05	84.002A	500793-03	8,332
NALS 3 FY 05	84.002A	500793-04	2,240
Local Institutionalized FY 05	84.002A	500793-05	3,406
Total Adult Education Programs			<u>13,978</u>
Title 1 Grants to Local Educational Agencies:			
Pass-Through Program from Maryland State			
Department of Education:			
Title I FY 03	84.010	330693-01	355,543
FY 03 Delinquent at Risk Youth	84.010	330693-04	6,254
Title I FY 04	84.010	400571-01	5,938,734
Delinquent and At Risk Youth FY 04	84.010	400572-01	45,225
School Improvement FY 04	84.010	400903-01	5,396
Title I School Improvement FY 04	84.010	401780-01	33,210
Recognition Awards FY 04	84.010	402006-02	41,791
Title I FY 05	84.010	500346-01	12,790,484
School Improvement FY 05	84.010	500984-02	47,925
Recognition Awards FY 05	84.010	501406-01	156,019
Delinquent and At Risk Youth FY 05	84.010A	500347-01	49,382
Total Title I Grant			<u>19,469,963</u>

(Continued)



**BOARD OF EDUCATION OF BALTIMORE COUNTY**

Schedule of Expenditures of Federal Awards

For the Year ended June 30, 2005

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. Department of Education, continued:			
Special Education:			
Pass-Through Program from Maryland State			
Department of Education:			
Passthrough FY 04	84.027	400255-01	\$ 33,561
Infants and Toddlers Part B FY 04	84.027	400026-05	4,086
Effective Environment	84.027	400496-02	39,531
Interschool Partnership FY 04	84.027	400490-02	49,965
Disproportionality FY 04	84.027	400800-01	9,400
Alt. - MSA FY 04	84.027	400255-11	7,672
CSPD/MSPP FY 04	84.027	400255-08	16,323
LRE FY 04	84.027	400255-10	11,283
SIG YR 5 - Subs FY 04	84.027	400255-09	6,762
LRE FY 05	84.027	500484-05	163,838
Disproportionality FY 05	84.027	500804-01	2,524
CSPD FY 05	84.027	500484-03	41,391
Supplemental Passthrough FY 05	84.027	500484-02	16,000
AYP FY 05	84.027	500803-01	55,553
Passthrough FY 05	84.027	500484-01	16,523,096
LRE Competitive FY 05	84.027	500866-01	9,033
ALT-MSA FY 05	84.027	500484.07	9,992
Passthrough Carryover FY 05	84.027	501003-01	623,051
Towson University Outreach FY 04	84.027	402043-01	16,527
CEC	84.027	501736-01	3,984
Infants and Toddlers Part B FY 05	84.027	500206-03	128,200
Total Special Education			<u>17,771,772</u>
Vocational Education Basic Grants To States:			
Pass-Through Program from Maryland State			
Department of Education:			
Perkins FY 04	84.048	400783-01/02	19,442
NATEF Eastern Tech FY 04	84.048	401977-01	2,141
NATEF Milford Mill FY 04	84.048	401976-01	3,352
Curriculum Writing for Business Management FY 05	84.048	500541-01	26,681
Perkins FY 05	84.048	500560-01/02	1,123,139
Total Perkins			<u>1,174,755</u>
Magnet Schools Assistance:			
Direct Program:			
MSAP FY 05	84.165A	U165A040066	<u>1,157,224</u>
Special Education: Preschool — IDEA Part B:			
Pass-Through Program from Maryland State			
Department of Education:			
Preschool Passthrough FY 05	84.173	500484-06	771,191
Infants and Toddlers Part B FY 05	84.173	500206-03	9,000
Preschool Passthrough Carryover FY 05	84.173	501003-02	16,717
Total IDEA Part B			<u>796,908</u>

(Continued)

**BOARD OF EDUCATION OF BALTIMORE COUNTY**

Schedule of Expenditures of Federal Awards

For the Year ended June 30, 2005

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Special Education: Preschool — IDEA Part C:			
U. S. Department of Education, continued:			
Pass-Through Program from Maryland State			
Department of Education:			
Infants and Toddlers Part C FY 05	84.181A	500206-01/02	\$ <u>828,627</u>
Safe and Drug Free Schools and Communities:			
Pass-Through Program from Maryland State			
Department of Education:			
FY 04 Title IV - Safe & Drug Free Schools	84.186	400576-01	133,495
FY 05 Title IV - Safe & Drug Free Schools	84.186	500351-01	340,383
Pass-Through Baltimore County Local Management Board:			
Behavior Management Training FY 04	84.186	SDFS-2003-1008	<u>210</u>
Total Safe and Drug Free Schools			<u>474,088</u>
Pass-Through Program from Maryland State			
Department of Education:			
Education for Homeless Children and Youth FY 04	84.196A	400925-01	23,986
Education for Homeless Children and Youth FY 05	84.196A	500657-01	<u>67,756</u>
Total Education for Homeless Children and Youth			<u>91,742</u>
Even Start Educational Agencies:			
Pass-Through Program from Maryland State			
Department of Education:			
Even Start FY 04	84.213C	400965-01	151,405
Even Start FY 05	84.213C	501463-01	<u>127,636</u>
Total Even Start			<u>279,041</u>
Fund for Improvement of Education — ESEA Title X			
Direct Program:			
FY 02 Teaching American History	84.215X	S215X010213	190,155
Smaller Learning Communities FY 04	84.215L	V215L030130	147,705
Smaller Learning Communities FY 05	84.215L	V215L042100	<u>688,003</u>
Total Fund for Improvement of Education			<u>1,025,863</u>
Foreign Language Assistance Program:			
Direct Program:			
FLAP FY 04	84.293B	T293B030170	<u>119,431</u>
Innovative Education Program Strategies:			
Pass-Through Program from Maryland State			
Department of Education:			
Title V FY 04	84.298	400577-01	158,155
Title V FY 05	84.298	500352-01	<u>442,377</u>
Total Innovative Education Program Strategies			<u>600,532</u>

(Continued)

**BOARD OF EDUCATION OF BALTIMORE COUNTY**

Schedule of Expenditures of Federal Awards

For the Year ended June 30, 2005

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>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	\$ 27,578
Online Technology Assessment Tools FY 03	84.318	301176-01	263,355
Maryland Students Online FY 03	84.318	301177-01	109,314
Education Technology Formula FY 04	84.318	400574-01	270,562
MD K-12 Digital Library FY 04	84.318	301178-01	1,563
Maryland Students Online FY 04	84.318	401495-01	118,124
Education Technology Formula FY 05	84.318	500349-01	142,012
Maryland Students Online FY 05	84.318	500848-01	105,266
Online Technology Assessment Tools FY 04	84.318	401493-01	177,038
Pass-Through Program from Prince George's County			
Public Schools:			
Project OPEN FY 04	84.318	301767	11,506
Project OPEN FY 05	84.318	PGCPS500898	4,848
GEN Y Partnership FY 05	84.318	PGCPS500909	2,166
Pass-Through Program from Carroll County			
Public Schools:			
Learning Management Systems FY 04	84.318	CCPS401497-01	4,433
Pass-Through Program from Montgomery County			
Student Technology Literacy FY 04	84.318	MCPS401494	8,828
MD K-12 Digital Library FY 05	84.318	MCPS401429	6,292
Student Technology Literacy FY 05	84.318	—	3,005
Pass-Through Program from Washington County			
Educational Technology Research FY 05 Year 2	84.318	WCPS401491-01	9,019
Educational Technology Research FY 05 Year 3	84.318	WCPS500644-01	21,994
Total Technology Literacy Challenge Fund			<u>1,286,903</u>
Advanced Placement Incentive Program:			
Pass-Through Program from Maryland State			
Department of Education:			
Advanced Placement : Great Expectations FY 04	84.330C	401656-01	14,518
Advanced Placement : Great Expectations FY 05	84.330C	501608-01	7,354
Baldrige Advanced Placement Lansdowne HS FY 05	84.330A	501753-01	1,776
Total Advanced Placement			<u>23,648</u>

(Continued)

**BOARD OF EDUCATION OF BALTIMORE COUNTY**

Schedule of Expenditures of Federal Awards

For the Year ended June 30, 2005

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
U. S. Department of Education, continued:			
Comprehensive School Reform Demonstration:			
Pass-Through Program from Maryland State			
Department of Education:			
Comprehensive School Reform FY 04	84.332A	400991-01	\$ 12,844
Comprehensive School Reform FY 05	84.332A	500974-01	<u>103,965</u>
Total Comprehensive School Reform			<u>116,809</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	28,392
Gear Up FY05	84.334A	500583-01	<u>132,310</u>
Total Gear Up			<u>160,702</u>
Reading First State Grants			
Pass-Through Program from Maryland State			
Department of Education:			
Reading First FY 04	84.357A	401857-01	1,196,328
Reading First FY 05	84.357A	500870-01	<u>860,304</u>
Total Reading First			<u>2,056,632</u>
English Language Acquisition:			
Pass-Through Program from Maryland State			
Department of Education:			
English Language Acquisition FY 03	84.365A	330888-01	9,283
English Language Acquisition FY 04	84.365A	401848-01	15,038
Title III - Language Acquisition FY 04	84.365A	400575-01	132,943
Title III - Language Acquisition FY 05	84.365A	500350-01	<u>190,106</u>
Total English Language Acquisition			<u>347,370</u>

(Continued)

**BOARD OF EDUCATION OF BALTIMORE COUNTY**

Schedule of Expenditures of Federal Awards

For the Year ended June 30, 2005

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
U. S. Department of Education, continued:			
Improving Teacher Quality State Grants:			
Pass-Through Program from Maryland State			
Department of Education:			
Title II FY 03	84.367	330563-02	\$ 333,670
Title II FY 04	84.367	400573-01	3,302,845
Title II FY 05	84.367	500348-01	<u>2,240,496</u>
Total Improving Teacher Quality State Grants			<u>5,877,011</u>
Total U. S. Department of Education			<u>53,672,999</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	5,570
Sexual Harassment and Assault Prevention FY 04	93.126	400371-01	3,663
Sexual Harassment and Assault Prevention FY 05	93.126	500944-01	<u>7,251</u>
Total Acquired Immunodeficiency Syndrome (AIDS) Activity			<u>16,484</u>
Temporary Assistance for Needy Families:			
Pass-Through Program from Maryland State			
Department of Education:			
Dropout Prevention FY 04	93.558	400445-01	<u>277,933</u>
Total U.S. Department of Health and Human Services			<u>294,417</u>
Corporation for National and Community Service:			
Learn and Service America:			
Pass-Through Program from Maryland State			
Department of Education:			
FY 04 Learn and Service America	94.004	400983-01	1,337
FY 05 Learn and Service America	94.004	500639-01	<u>10,365</u>
Total Corporation for National and Public Service			<u>11,702</u>

(Continued)

**BOARD OF EDUCATION OF BALTIMORE COUNTY**

Schedule of Expenditures of Federal Awards

For the Year ended June 30, 2005

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
Other Federal Award Programs:			
Direct Programs:			
Troops to Teachers Recruitment	12.000	—	\$ 82
NASA Woodlawn High FIRST FY 05	43.000	NNG05GF38A	18,000
NASA Parkville High FIRST FY 05	43.000	NCC5-718	<u>5,000</u>
Total Other Federal Award Programs			<u>23,082</u>
Total Expenditures of Federal Awards			\$ <u><u>70,106,447</u></u>

See accompanying notes to Schedule.

**BOARD OF EDUCATION OF BALTIMORE COUNTY**

Notes to Schedule of Expenditures of Federal Awards

June 30, 2005

**(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 (USDA) programs which are presented using the accrual basis of accounting. These bases are described in note 1 to the Board's basic financial statements. The value of food commodities donated by the USDA is determined by the USDA and is included in revenues and expenditures in the fiscal 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, 2005:

Total federal expenditures reported in the Schedule	\$ 70,106,447
Federal revenues included in the basic financial statements that are not required to be included in the Schedule:	
Medicaid funds under contract for services	7,919,421
R.O.T.C. funds under contract for services	476,167
Other miscellaneous items	(89)
Total	<u>\$ 78,501,946</u>
Total federal revenues reported in the basic financial statements:	
Special Revenue fund	\$ 63,499,602
Food Service fund	15,002,344
Total	<u>\$ 78,501,946</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	\$ 662,785

**BOARD OF EDUCATION OF BALTIMORE COUNTY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

**Section I – Summary of Auditors’ Results:**

Type of auditors’ report issued Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Reportable condition(s) identified that are not considered to be material weaknesses? No

Noncompliance material to financial statements noted? No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified? No
- 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 the Special Education Cluster and Title I, *Grants to Local Educational Agencies* which were qualified.

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
Reading First	84.357
Title I Grants to Local Educational Agencies	84.010

Dollar threshold used to distinguish between Type A and Type B programs? \$2,103,193

Auditee qualified as a low-risk auditee? No



**BOARD OF EDUCATION OF BALTIMORE COUNTY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

**Section II- Financial Statement Findings – None**

**Section III-Federal Award Findings and Questioned Costs**

**Finding 05-01**                      **Lack of Time and Effort Reporting For Costs Charged To Federal Programs (A similar finding was noted in FY 2004 as item number 04-03)**

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

**Criteria:**                              In response to certain previous related findings, the Board implemented new time and effort certification procedures in order to comply with OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments Notice*, effective July 1, 2004. The procedures were approved by the Maryland State Department of Education, the Board’s cognizant agency, on January 19, 2005.

Per the new certification procedures, in order to support salary and related costs charged to Federal programs, a Personal Activity Report (PAR) is required to be completed bi-weekly and within ten days after the end of the reporting period for employees who meet the definition of split-funded. A split-funded employee is one whose salary is not funded through a single funding source or is not in a single cost objective. A supervisor with first hand knowledge of that employee’s work is required to review, approve and sign the PAR. Semi-annual certifications are to be completed for employees who are 100% funded through Federal funds or a single cost objective. The certifications are required to be returned to the grant manager by January 16 for the period of July 1 through December 31 and July 16 for the period of January 1 through June 30. A supervisor with first hand knowledge of that employee’s work is required to review, approve and sign the certification. The purpose of the PARs and the semi-annual certifications is to provide data to adjust time charges based on estimates to actual. An analysis of estimated to actual time was required to be completed in November, February and May for all individuals who complete PARs.

**Condition:**                              Of the 58 payroll transactions tested for the Title I Program, 2 individuals did not prepare the required effort certification reports. In addition, 2 individuals incorrectly prepared semi-annual certifications instead of PARs and one individual correctly prepared a PAR, but the report was not prepared within the prescribed timeframe. Lastly, adjustments of time charges based on estimates to actual were not performed as required by the new procedures.

**Effect:**                                      Costs submitted for reimbursement are not supported in accordance with OMB Circular A-87. Unsupported charges may result in the request for repayment of such charges to the federal government.

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**Known Questioned Costs:** \$132,908 representing salaries and related costs charged to the Title I Program for the five individuals that were not in compliance with OMB Circular A-87.

The known questioned costs for the adjustment of time charges based on estimates to actual is not determinable.

**Likely Questioned Costs:** \$1,196,501 representing the error rate of 8.6 % for the individuals that were not in compliance with OMB Circular A-87 multiplied by total salaries and related costs charged to the Title I Program of \$13,912,798.

The likely questioned costs for the adjustment of time charges based on estimates to actual is not determinable.

**Recommendation:** We recommend that all grant program managers follow the Board's established time and effort procedures to ensure compliance with OMB Circular A-87.

**Management's Response:** Management continued to refine Title I internal controls relevant to time and effort (T&E) certification. Refined procedures in Title I include a tiered review of certification documents and monthly review processes. Professional development has been provided to Title principals, bi-weekly employees, and central office personnel detailing updated T&E procedures.

We have looked at each occasion of error noted and provide the following information:

1. Two individuals were noted as being 100% funded by the grant, but were not included on the certification done by the school. Those personnel determined to be 100% funded are required to be certified semi-annually by the school or office as working on this grant on a full-time basis. It was determined that these people were omitted from the list provided to the school principal to prepare the certification. It is our belief that this was an isolated omission and that the remaining personnel were properly included on their respective school or office lists, and that the certifications of T&E were properly performed.
2. Two individuals were originally determined to be subject to semi-annual reporting, although they were funded by two sources, Title I and Third-Party Billing. The improper determination was made because T&E is not required under Third-Party Billing, and the grant personnel mistakenly believed that these personnel were only required to report semi-annually. We again believe that this was an isolated instance, and do note that T&E certifications were available for these individuals.
3. One individual's reports were available, but had been submitted after the due date according to BCPS procedures. This individual was new to the reporting process and was working with the grant's compliance consultant who was providing instructions on how to complete the process. Again,

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this is an instance where the Title I personnel knew that T&E reporting was required and the correct data was completed, and only the timing of the reporting is in question.

4. We reviewed the universe of personnel subject to the Time and Effort reporting requirements. Based upon our review, it appears that two distinct reporting groups make up the Title I funded personnel. One group of 100% funded personnel which was a population of approximately 1,420 people and 80-90 semi-annual reports, which are certified generally by the principals at the schools; and a second population of 20 personnel who were split funded (bi-weekly certifications). The breakdown of the salaries expense was \$13,500,000 for the 100% funded and \$434,000 for the split funded populations. The use of two audit samples may have provided a much smaller error rate, which when applied to the total expense would have resulted in significantly lower questioned cost.

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<b>Finding 05-02</b>	<b>Eligibility Determination Not In Accordance With Program Requirements</b>
<b>Program:</b>	Title I, Part A Grants to Local Educational Agencies (LEAs) U.S. Department of Education (Pass-through Program from MSDE) CFDA Number 84.010
<b>Criteria:</b>	<p>Per OMB Circular A-102, <i>Common Rule</i>, as codified in 34 CFR 80, recipients of Federal awards are responsible for managing the day-to-day operations of grant activities. Grantees must monitor grant activities to ensure compliance with applicable Federal requirements and that performance goals are being achieved.</p> <p>Per Title I, Section 1115 of the Elementary and Secondary Education Act (ESEA) (20 USC 6315), a school operating a targeted assistance program must use Title I, Part A funds only for programs that are designed to meet the needs of children identified by the school as failing, or most at risk of failing, to meet the State's student academic achievement standards. In general, eligible children are identified on the basis of multiple, educationally related, objective criteria established by the LEA and supplemented by the school.</p> <p>The Board's Office of Title I and Grant Assistance established the twelve educationally related, objective criteria that the Schools use to identify students as failing or most at risk of failing, to meet the State's student academic achievement standards.</p> <p>In addition, controls must be properly designed, in place and operating effectively to ensure that these requirements are met.</p>
<b>Condition:</b>	The Board has 5 schools operating targeted assistance programs. Of the 2,319 students determined to be eligible under program requirements, 459 were identified as failing, or most at risk of failing, based solely on one of the twelve criteria discussed above. Controls are not in place and operating effectively to ensure that the requirement to use the twelve criteria set by the Board's Office of Title I and Grant Assistance is met.
<b>Effect:</b>	The Board is not in compliance with Title I, Part A eligibility requirements. Charges incurred for ineligible students may result in the request for repayment of such charges to the Federal government.
<b>Known and Likely Questioned Costs:</b>	\$160,237 representing the error rate for each school multiplied by total costs incurred for each school.
<b>Recommendation:</b>	We recommend that grant managers establish effective controls to ensure that students are determined to be eligible in accordance with Title I, Part A eligibility requirements.

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**Management's Response:** Title I & Grant Assistance modified the *BCPS Title I Identified Students 2005–2006* forms to include a key for criteria used in identifying students. Teachers were given a list of 6 criteria from which to identify students eligible to qualify for Title I services. The key included directions which prompt teachers to use at least 2 criteria in the selection process. Additionally, the Title I Program Compliance Specialist provided technical assistance to all targeted assistance programs to ensure compliance in eligibility determination, and has reviewed all documentation to ensure accuracy and completeness of information submitted to the Title I office. Title I & Grant Assistance has developed internal controls that will be implemented for all schools new to the Title I program (targeted assistance schools).

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- Finding 05-03**                      **Inaccurate Information Submitted On the Comparability Report** (*A similar finding was noted in FY 2004 as item number 04-12*)
- Program:**                              Title I, Part A Grants to Local Educational Agencies  
U.S. Department of Education (Pass-through Program from MSDE)  
CFDA Number 84.010
- Criteria:**                              Per OMB Circular A-102, *Common Rule*, as codified in 34 CFR 80, recipients of Federal awards are responsible for submitting accurate information and establishing and maintaining effective internal controls over reporting.
- Per Title I, 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 are 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.
- Each LEA is required to develop procedures for complying with the comparability requirements and to 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.
- Controls must be properly designed, in place and operating effectively to ensure that this requirement is met.
- Condition:**                              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 requirements, the information used to prepare the Report did not agree to underlying supporting documentation. Specifically, of the 42 records selected for testing, 25 records did not agree to enrollment data on the Report. This is the result of an error that improperly excluded pre-kindergarten students, teachers and paraprofessionals from the Comparability Report.
- Controls are not in place and operating effectively to ensure that this requirement is met.
- Effect:**                                      The Board is not in compliance with the OMB Circular A-102 requirement related to the submission of accurate information.

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<b>Questioned Costs:</b>	Not determinable
<b>Recommendation:</b>	We again recommend that the Board establish effective internal controls over the compliance requirements related to Federal awards to ensure the accuracy of information reported to MSDE.
<b>Management's Response:</b>	Title I & Grant Assistance has internal controls which govern comparability. Procedures used in determining comparability during school year 2005–2006 included adding pre-kindergarten student enrollment, teachers, and paraprofessionals. Enrollment data was verified by the Office of Student Data and the Office of Technology. Staffing information was verified by the Office of Position Management.

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<b>Finding 05-04</b>	<b>Teachers Not Meeting the Definition of Highly Qualified</b> ( <i>A similar finding was noted in FY 2004 as item number 04-11</i> )
<b>Program:</b>	Title I, Part A Grants to Local Educational Agencies U.S. Department of Education (Pass-through Program from MSDE) CFDA Number 84.010
<b>Criteria:</b>	<p>Per OMB Circular A-102, <i>Common Rule</i>, as codified in 34 CFR 80, recipients of Federal awards are responsible for managing the day-to-day operations of grant activities. Grantees must monitor grant activities to ensure compliance with applicable federal requirements and that performance goals are being achieved.</p> <p>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.</p> <p>In addition, controls must be properly designed, in place and operating effectively to ensure that this requirement is met.</p>
<b>Condition:</b>	<p>Of the 40 teacher and 12 paraprofessional files selected for testing, 2 teacher files did not contain supporting documentation that the teacher met the definition of highly qualified as defined by CFR Title 34, Section 200.56.</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 requirements of hiring highly qualified teachers as defined by CFR Title 34, Section 200.56.
<b>Questioned Costs:</b>	Not determinable
<b>Recommendation:</b>	We again 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>	Two special education teachers were hired on August 23, 2004; one elementary and one middle school teacher. The elementary special education teacher, initially thought to be eligible for APC in special education, was later determined not eligible and was transferred to a non-Title I School for the 2005–2006 school year. The middle school special education teacher holds an APC in Special Education 1–8 and Early Childhood. Under recent MSDE changes related to Praxis requirements, this teacher has met the requirements for highly qualified at the middle school level.



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<b>Finding 05-05</b>	<b>Inaccurate Data Submitted On the SSIS Verification Report (A similar finding was noted in the prior year as finding # 04-08)</b>
<b>Program:</b>	Special Education Cluster U.S. Department of Education (Pass-through Program from the Maryland State Department of Education (MSDE) CFDA Numbers 84.027 and 84.173
<b>Criteria:</b>	Per OMB Circular A-102, <i>Common Rule</i> , as codified in 34 CFR 80, recipients of Federal awards are responsible for submitting accurate information and establishing and maintaining effective internal controls over reporting.  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.
<b>Condition:</b>	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, 30 students were selected for testwork from the SSIS Verification Report submitted in February 2005. Of the 30 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.  These inaccuracies are the result of the Board inconsistently following the established procedures that ensure the accuracy of the information reported to MSDE.
<b>Effect:</b>	The Board is not in compliance with the OMB Circular A-102 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 compliance resource staff has met with representatives from each school that had an audit finding to discuss necessary corrective actions.  The Office of Special Education conducted compliance training in September 2005 for all IEP Chairs and discussed these compliance errors.  BCPS is implementing a web-based IEP system that will allow for the electronic transfer of real-time data and there will be a single data entry point.

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**Finding 05-06** **Inaccurate Data Submitted On the SSIS Exit Verification Report** *(A similar finding was noted in the prior year as finding # 04-09)*

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

**Criteria:** Per OMB Circular A-102, *Common Rule*, as codified in 34 CFR 80, recipients of Federal awards are responsible for submitting accurate information and establishing and maintaining effective internal controls over reporting.

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.

**Condition:** 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, 2004 through June 30, 2005. 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, the Management Information Pupil Enrollment System (MIPES) which is used to maintain demographic and other student information.

In order to ensure the accuracy of the information reported on the Exit Verification Report, 30 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, 10 of the same 30 student records were selected and traced to source documentation located in the related student's file to ensure the validity of the information reported for the selected data elements.

When the 30 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 10 student records traced to source documentation in the related student's file, one record contained inconsistencies between one or more data elements and the source documentation.

These inaccuracies are the result of the Board not having a single data source to ensure the accuracy of the information reported to MSDE.

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In addition, a listing of students identified as non-public placement students was submitted to the Office of Non-public Placement (NPP) for confirmation that each of the students had actually exited from the Special Education program. According to the NPP, 58 of the 131 students or 44% of the non-public placement students appearing on the Exit Verification Report had not actually exited from the Special Education Program.

These inaccuracies are the result of MIPES automatically flagging students as “exited” if the student’s age is appropriate for graduation. A non-promote code must be manually entered into MIPES to cancel the automatic exiting from the Special Education program of a student whose age is appropriate for graduation. There is not a process in place to manually enter the non-promote code during the preparation of the Exit Verification Report.

**Effect:** The Board is not in compliance with the OMB Circular A-102 requirement related to the submission of accurate information.

**Questioned Costs:** Not determinable

**Recommendation:** We again recommend that the Board establish effective 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 compliance resource staff has met with representatives from each school that had an audit finding to discuss necessary corrective actions.

The Office of Special Education conducted compliance training in September 2005 for all IEP Chairs and discussed these compliance errors.

BCPS is implementing a web-based IEP system that will allow for the electronic transfer of real-time data and there will be a single data entry point.

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<b>Finding 05-07</b>	<b>Inaccurate Data Submitted On the Annual Financial Report</b>
<b>Program:</b>	Child Nutrition Cluster U.S. Department of Agriculture (Pass-through Program from MSDE) CFDA Numbers 10.553, 10.555 and 10.559
<b>Criteria:</b>	<p>Per OMB Circular A-102, <i>Common Rule</i>, as codified in 34 CFR 80, recipients of Federal awards are responsible for submitting accurate information and establishing and maintaining effective internal controls over reporting.</p> <p>Entities that pass-through Federal funds to subrecipients may establish separate reporting requirements. This reporting requirement is required by MSDE.</p> <p>The Board is required to submit a system-wide Annual Financial Report (AFR) to MSDE. The Office of Food and Nutrition Services submits an annual report, representing a summary of food and nutrition services revenues and expenditures for the period of July 1, 2004 through June 30, 2005, to the Office of Accounting for inclusion in the AFR (AFR-FS).</p> <p>The AFR is submitted to MSDE via the MSDE Grants AFR System by the Office of Accounting. Although an LEA may use a different chart of accounts for its general ledger, MSDE requires Local Educational Agencies (LEAs) to adhere to the definitions of accounts contained in the <i>Financial Reporting Manual for Maryland Public Schools</i> (Manual) when submitting financial information to MSDE to ensure reasonable comparability.</p>
<b>Condition:</b>	<p>Amounts entered into the MSDE Grants AFR System for the FY 2004 AFR-FS by the Office of Accounting did not agree with the classifications and amounts submitted to the Office of Accounting on the AFR-FS. Specifically, the following discrepancies were noted:</p> <ul style="list-style-type: none"><li>• \$550,297 reported to MSDE as salaries and wages were reported on the AFR-FS as contracted services.</li><li>• \$423,228 of indirect overhead charges were reported as other charges as opposed to transfers.</li></ul> <p>A corrected report was subsequently submitted to MSDE.</p>
<b>Effect:</b>	The Board is not in compliance with the OMB Circular A-102 requirement related to the submission of accurate information.
<b>Questioned Costs:</b>	None

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- Recommendation:** We recommend that the Board establish effective internal controls over the compliance requirements related to Federal awards to ensure the accuracy of information reported to MSDE.
- Management's Response:** We agree and have added a secondary review of the data entered in the MSDE on-line system to ensure its accuracy.