

**BOARD OF EDUCATION OF
BALTIMORE COUNTY, MARYLAND
Baltimore, Maryland**

**REPORT ON SINGLE AUDIT
June 30, 2010**

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**Independent Auditor's 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**

Members of the
Board of Education of Baltimore County
Baltimore, Maryland

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of Baltimore County (the Board), a component unit of Baltimore County, as of and for the year ended June 30, 2010, and the budgetary comparison for the general fund and special revenue fund for the year ended June 30, 2010, and have issued our report thereon dated September 29, 2010. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described as 2010-1 and 2010-2 in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's 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 29, 2010.

The Board's responses to the findings identified in our audit are described in the schedule of findings and questioned costs. We did not audit the Board's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Budget and Audit Committee of the Board of Education of Baltimore County, Maryland, 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.

Clifton Henderson LLP

Baltimore, Maryland
September 29, 2010

**Independent Auditor's Report on Compliance with Requirements That
Could Have a Direct and Material Effect on Each Major Program and on
Internal Control Over Compliance and Schedule of Expenditures of Federal Award in
Accordance with OMB Circular A-133**

Members of the
Board of Education of Baltimore County
Baltimore, Maryland

Compliance

We have audited the compliance of the Board of Education of Baltimore County (the Board) with the types of compliance requirements described in the *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The Board's major federal programs are identified in the summary of auditor's 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 considered 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.

In our opinion the Board complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with the highly qualified requirement, which are required to be reported in accordance with OMB Circular A-133 and is described in the accompanying schedule of findings and questioned costs as item 2010-06.

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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

A deficiency in *internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in *internal control over compliance* that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2010-03 to 2010-06. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Board's responses to the finding identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Board's responses and, accordingly, we express no opinion on them.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of Baltimore County (the Board) as of and for the year ended June 30, 2010, and have issued our report thereon dated September 29, 2010. Our audits were performed for the purpose of forming an opinion on the financial statements that collectively comprise the Board's basic financial statements. 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 the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Budget and Audit Committee, the Board's 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.



Baltimore, Maryland

October 25, 2010, except for our report on the Schedule of Expenditures of Federal Awards which is September 29, 2010

BOARD OF EDUCATION OF BALTIMORE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ending June 30, 2010

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U. S. Department of Agriculture:			
Pass-through Program from Maryland State			
Department of Education:			
Federal Donations of Food Commodities	10.555	-	\$ 1,878,295
National School Lunch Program	10.555	-	14,559,523
After-School Snack Program	10.555	-	56,031
National School Breakfast Program	10.553	-	3,984,251
National School Summer Food Service Program	10.559	-	380,499
Total Child Nutrition Cluster			<u>20,858,599</u>
Fresh Fruit and Vegetable Program	10.582	-	79,259
ARRA Equipment	10.560	902084-01	81,811
National School Lunch Equipment Assistance	10.560	105039-01	268
2009 School Breakfast Contest	10.560	106030-01	100
Total U.S. Department of Agriculture			<u>21,020,037</u>
National Security Agency:			
Mathematical Sciences Program			
Direct Program:			
BCML & BCMT FY 09	12.901	H98230-09-2-0083	253
BCML & BCMT FY 10	12.901	H98230-09-1-0086	3,110
SIEST FY 09	12.901	H98230-08-2-0003	77
SIEST II FY 09	12.901	H98230-09-2-0003	50,613
Total National Security Agency			<u>54,053</u>
U.S. Department of Labor:			
Job Training and Partnership Act:			
Pass-through Program from Baltimore County, Maryland:			
WIA Youth Activities:			
Life Works FY 10	17.259	MA00600001344	199,215
Total U.S. Department of Labor			<u>199,215</u>
U. S. Department of Education:			
Adult Education State Grant program:			
Pass-through Program from Maryland State			
Department of Labor, Licensing and Regulation:			
Adult Basic Education FY 10	84.002A	POOP0400037-01	3,792
Adult Secondary Education FY 10	84.002A	POOP0400037-02	2,218
Local Institutionalized FY 10	84.002A	POOP0400037-03	3,372
Adult General Education FY 10 C/O FY 09	84.002A	-	634
Total Adult Education Programs			<u>10,016</u>
Title 1 Grants to Local Educational Agencies:			
Pass-through Program from Maryland State			
Department of Education:			
Recognition Awards FY 09	84.010	901860-01	7,739
Recognition Awards FY 10	84.010	105870-01	25,117
Title I FY 09	84.010	900628-01	3,260,638
Title I FY 10	84.010	104791-01	18,457,521
Title I - NCLB Act FY 10	84.010	104681-01	87,141
Title I Part D - Neglected and Delinquent Youth FY 09	84.010	901243-01	11,294
Title I Part D - Neglected and Delinquent Youth FY 10	84.010	104776-01	77,678
Title I Distinguished School Award FY 10	84.010	105787-01	2,000
Total Title I Grants			<u>21,929,128</u>

BOARD OF EDUCATION OF BALTIMORE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ending June 30, 2010

<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 Education, continued:			
Special Education Grants to States:			
Pass-through Program from Maryland State			
Department of Education:			
Pass-through FY 09	84.027	900294-01	\$ 1,925,447
Pass-through FY 10	84.027	104214-01	16,565,615
Supplemental Pass-through FY 09	84.027	900294-02	5,692
Special Education Advisory Council FY 09	84.027	900294-02	1,747
Special Education Advisory Council FY 10	84.027	104214-05	2,189
Personnel Development FY 09	84.027	900294-02	6,443
Personnel Development FY 10	84.027	104214-03	32,552
Least Restrictive Environment (LRE) FY 09	84.027	900294-02	17,097
Least Restrictive Environment (LRE) FY 10	84.027	104214-07	207,669
Least Restrictive Environment (LRE) Competitive FY 10	84.027	104960-01	53,782
Infants and Toddlers Part B FY 09	84.027	900251-02	10,145
Infants and Toddlers Part B FY 10	84.027	104205-02	124,749
Infants and Toddlers FY 09 - Part B Supplemental	84.027	802300-01	6,651
Supporting Students with Emotional Disturbance FY 09	84.027	901493-01	25,171
MD HAS International Grant FY 09	84.027	900313-01	30,975
ALT - MSA FY 09	84.027	900310-01	4,592
ALT - MSA FY 10	84.027	104387-01	6,518
Reduction of Disproportionality of Minorities FY 09	84.027	900322-01	27,144
Reduction of Disproportionality of Minorities FY 10	84.027	104706-01	11,380
Pass-through EIS FY 09	84.027	900294-01	323,884
Pass-through EIS FY 10	84.027	104214-02	3,227,423
Partners for Success FY 10	84.027	104214-04	9,609
Transition and Dropout Prevention FY 10	84.027	104738-01	26,475
Parent Training FY 10	84.027	104705-01	7,212
High School Assessments FY 10	84.027	104440-01	233,597
Transition FY 10	84.027	104214-06	432
Emotional Disturbance & Behavior FY 10	84.027	104961-01	26,238
Total Special Education Pass-through Program			<u>22,920,428</u>
Special Education: Preschool — IDEA Part B:			
Pass-through Program from Maryland State			
Department of Education:			
MMSR Federal FY 09	84.173	901263-02	16,611
MMSR Federal FY 10	84.173	104819-02	14,941
Preschool Pass-through FY 10	84.173	104214-08	584,000
Preschool Pass-through EIS FY 10	84.173	104214-09	93,611
Preschool Pass-through Carryover to FY 09	84.173	900861-01	121
Preschool Pass-through Carryover to FY 10	84.173	105141-01	135,962
Infants and Toddlers Part B FY 09	84.173	900251-03	9,000
Infants and Toddlers Part B FY 10	84.173	104205-03	9,000
Total IDEA Part B			<u>863,246</u>
Total Special Education Cluster			<u>23,783,674</u>

BOARD OF EDUCATION OF BALTIMORE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ending June 30, 2010

<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 Education, continued:			
Career and Technical Education - Basic Grants to States:			
Pass-through Program from Maryland State			
Department of Education:			
Perkins FY 09	84.048	900962-01/02	\$ 20,442
Perkins FY 10	84.048	105602-01/02	945,197
Project Lead the Way FY 09 - Dulaney HS	84.048	901560-01	3,865
Project Lead the Way FY 09 - Parkville HS	84.048	901560-01	2,688
Project Lead the Way FY 10 - Woodlawn	84.048	105905-01	14,243
Project Lead the Way FY 10 - Dulaney HS	84.048	105905-01	12,184
Project Lead the Way FY 10 - Parkville HS	84.048	105905-01	12,042
CASE FY 10	84.048	104931-01	2,958
CASE Materials FY 10	84.048	105583-01	16,155
Biomed Overlea FY 10	84.048	105905-01	22,459
CTE Homeland Security FY 10	84.048	105905-01	19,996
High Schools That Work FY 10	84.048	105587-01	17,925
Total Career and Technical Education			<u>1,090,154</u>
Special Education: Preschool — IDEA Part C:			
Pass-through Program from Maryland State			
Department of Education:			
Infants and Toddlers Part C FY 09	84.181	900251-01	47,647
Infants and Toddlers Part C FY 10	84.181	104205-01	735,947
Total IDEA Part C			<u>783,594</u>
Safe and Drug Free Schools and Communities:			
Pass-through Program from Maryland State			
Department of Education:			
Title IV - Safe and Drug Free Schools FY 09	84.186	900412-02	167,563
Title IV - Safe and Drug Free Schools FY 10	84.186	104284-01	326,511
Total Safe and Drug Free Schools			<u>494,074</u>
Education for Homeless Children and Youth			
Pass-through Program from Maryland State			
Department of Education:			
Education for Homeless Children and Youth FY 09	84.196A	900966-01	29,387
Education for Homeless Children and Youth FY 10	84.196A	105063-01	50,117
Total Education for Homeless Children and Youth			<u>79,504</u>
Fund for Improvement of Education — ESEA Title X			
Direct Program:			
Teaching American History FY 06	84.215X	U215X050138	194,937
Teaching American History FY 10	84.215X	U215X090424	174,095
Total Fund for Improvement of Education			<u>369,032</u>
Tech Prep Education Program:			
Pass-through Program from Maryland State			
Department of Education:			
Perkins FY 10	84.243	105602-03/04	106,465
Total Tech Prep Education			<u>106,465</u>

BOARD OF EDUCATION OF BALTIMORE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ending June 30, 2010

<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 Education, continued:			
Charter Schools:			
Pass-through Program from Maryland State Department of Education: Charter School FY 10	84.282A	105934-02	\$ 59,400
Total Charter Schools			<u>59,400</u>
Educational Technology State Grants:			
Pass-through Program from Maryland State Department of Education: Education Technology Formula Title II D FY 08	84.318	800953-01	73,307
Education Technology Formula Title II D FY 09	84.318	900803-01	63,780
Education Technology Formula Title II D FY 10	84.318	105020-01	22,308
Breakthrough Center FY 09	84.318	104307-01	202,720
Pass-through Program from Montgomery County: Public Schools: Student Tech Literacy - TL8 - FY 08	84.318	MCPS	8,242
TLC Consortium FY 10	84.318	MCPS	2,550
Total Educational Technology State Grants			<u>372,907</u>
Advanced Placement Incentive Program:			
Pass-through Program from Maryland State Department of Education: IB Test FY 10 Milford Mill and Kenwood	84.330B	106026-01	5,060
Total Advanced Placement Incentive Program			<u>5,060</u>
Gaining Early Awareness and Readiness for Undergraduate Program (Gear Up):			
Pass-through Program from Maryland State Department of Education: Gear Up FY09	84.334S	900508-01	86,361
Gear Up FY10	84.334S	104761-01	160,055
Total Gear Up			<u>246,416</u>
Reading First State Grants:			
Pass-through Program from Maryland State Department of Education: Reading First FY 09	84.357A	901129-01	395,764
Reading First FY 10	84.357A	104641-01	476,784
Total Reading First			<u>872,548</u>
English Language Acquisition:			
Pass-through Program from Maryland State Department of Education: Title III - Language Acquisition FY 09	84.365A	900539-01	273,101
Title III - Language Acquisition FY 10	84.365A	104616-01	283,660
Title III - Line 2 - Immigrant FY 10	84.365A	104616-02	2,592
Total English Language Acquisition			<u>559,353</u>

BOARD OF EDUCATION OF BALTIMORE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ending June 30, 2010

<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 Education, continued:			
Improving Teacher Quality State Grants:			
Pass-through Program from Maryland State			
Department of Education:			
Title II FY 08	84.367	800780-01	\$ 1,061,215
Title II FY 09	84.367	900581-01	2,559,975
Title II FY 10	84.367	104593-01	919,115
Total Improving Teacher Quality State Grants			<u>4,540,305</u>
Education for Homeless Children and Youth, Recovery Act			
Pass-through Program from Maryland State			
Department of Education:			
Educating Homeless Children and Youth ARRA FY 10	84.387	105668-01	47,403
Total Educating Homeless Children and Youth ARRA			<u>47,403</u>
Title I Grants to Local Educational Agencies, Recovery Act			
Pass-through Program from Maryland State			
Department of Education:			
Title I ARRA FY 10	84.389	104589-01	10,626,066
Title I Part D ARRA FY 10	84.389	104778-01	31,340
Total Title I Grants to Local Educational Agencies, Recovery Act			<u>10,657,406</u>
Special Education Grants to States, Recovery Act			
Pass-through Program from Maryland State			
Department of Education:			
Pass-through EIS ARRA FY 10	84.391	104324-02	1,290,663
Pass-through ARRA FY 10	84.391	104324-01	10,500,363
Total Special Education Grants to States, Recovery Act			<u>11,791,026</u>
Special Education - Preschool Grants, Recovery Act			
Pass-through Program from Maryland State			
Department of Education:			
Preschool ARRA FY 10	84.392	104324-03	85,642
Total Special Education - Preschool Grants, Recovery Act			<u>85,642</u>
Special Education - Grants for Infants and Families, Recovery Act			
Pass-through Program from Maryland State			
Department of Education:			
Infants and Toddlers ARRA FY 10	84.393	104522-01	744,188
Infants and Toddlers Extended IFSP ARRA FY 10	84.393	104522-03	153,515
Total Special Education - Grants for Infants and Families, Recovery Act			<u>897,703</u>

BOARD OF EDUCATION OF BALTIMORE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ending June 30, 2010

<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 Education, continued:			
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act			
Pass-through Program from Maryland State			
Department of Education:			
State Fiscal Stabilization Funds	84.394	104333-01	\$ 3,723,164
State Fiscal Stabilization Funds	84.394	104333-03	895,355
Total State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act			<u>4,618,519</u>
Total U. S. Department of Education			<u>83,399,329</u>
U.S. Department of Health and Human Services:			
Preventive Health and Health Services Block Grant:			
Pass-through Program from Maryland State			
Department of Education:			
SHAPP Toolkit FY 09	93.991	902147-01	11,794
Sexual Harassment and Assault Prevention FY 09	93.991	901892-01	3,828
Sexual Harassment and Assault Prevention FY 10	93.991	105621-01	15,140
Total Preventive Health and Health Services Block Grant:			<u>30,762</u>
Total U.S. Department of Health and Human Services			<u>30,762</u>
Corporation for National and Community Service:			
Learn and Serve America School and Community Based Programs:			
Pass-through Program from Maryland State			
Department of Education:			
FY 10 Learn and Serve America	94.004	105721-01	20,000
Total Corporation for National and Community Service			<u>20,000</u>
Federal Emergency Management Agency:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters):			
Pass-through Maryland Emergency Management Agency:			
FY 10 Severe Winter Storms	97.036	FEMA-1875-DR-MD	101,185
Total Federal Emergency Management Agency			<u>101,185</u>
Department of Homeland Security:			
State Homeland Security Program:			
Direct Program:			
Homeland Security FY 10	97.073	-	24,050
Transportation Homeland Security FY 10	97.073	-	17,324
Total Department of Homeland Security			<u>41,374</u>
Total Expenditures of Federal Awards			<u>\$ 104,865,955</u>

BOARD OF EDUCATION OF BALTIMORE COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Board of Education of Baltimore County, Maryland (the Board), a component unit of Baltimore County, Maryland, for the year ended June 30, 2010.

Basis of Accounting

The accompanying Schedule has been prepared using 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. This basis of accounting is fully described in Note 1 to the Board's basic financial statements.

NOTE 2 – RELATION TO THE BASIC FINANCIAL STATEMENTS AND FEDERAL FINANCIAL REPORTS

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, 2010:

Total federal expenditures reported in the Schedule	\$104,865,955
Federal revenues included in the basic financial statements that are not required to be included in the Schedule:	
Medical funds under contract for services	6,813,109
R.O.T.C. funds under contract for services	<u>668,891</u>
Total	<u>\$112,347,955</u>
Total federal revenues reported in the basic financial statements:	
Special Revenue Fund	\$ 85,939,323
Food Service Fund	21,020,037
General Fund	<u>5,388,595</u>
Total	<u>\$112,347,955</u>

BOARD OF EDUCATION OF BALTIMORE COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2010

I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	_____	Yes	_____ <u>X</u> _____	No
Significant deficiency(ies) identified that is not considered to be a material weakness.	_____ <u>X</u> _____	Yes	_____	None reported
Noncompliance material to financial statements noted?	_____	Yes	_____ <u>X</u> _____	No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____	Yes	_____ <u>X</u> _____	No
Significant deficiency(ies) identified that is not considered to be a material weakness.	_____ <u>X</u> _____	Yes	_____	None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	_____ <u>X</u> _____	Yes	_____	No
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Identification of Major Programs

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number(s)</u>
Child Nutrition Cluster	10.553, 555, 582, 559, 560
Special Education Cluster	84.027, 173, 391, 392
Title I	84.010, 389
State Stabilization Fund	84.394
Infants and Toddlers Program	84.181, 393
Title II	84.367
Dollar threshold used to distinguish between type A and type B programs	<u>\$ 3,000,000</u>
Auditee qualified as low-risk auditee?	_____ Yes _____ <u>X</u> _____ No

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II. Financial Statement

Finding No. 2010-1 Supervisory Review of Employee's Time

Condition

During fiscal year 2010 management identified three employees within one department who received payments for unauthorized overtime via miscellaneous payments.

Criteria

A-102 Common Rule requires non-federal entities that receive federal awards to establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

Cause

The unauthorized payments were accomplished through the altering of miscellaneous time sheets, which were submitted to payroll for processing. In response to the misappropriation of assets, verification of supervisor's signature on time cards, exception time reports, and miscellaneous time sheets were tested.

Effect

Inconsistent application of the Board's procedures may result in the re-occurrence of errors and irregularities.

Recommendation

We recommend that the Board review current procedures and make appropriate revisions to ensure that the appropriate level of independent approval is obtained for additional earnings and over-time.

Management's Response

We agree with the recommendation. The Board is in the process of converting to the new Advantage HR/Payroll system, which will provide improved reporting capabilities. As new reports are developed, account managers will be trained on running and reviewing the payroll charges to their account(s).

Finding No. 2010-2 Supervisory Review of Employee's Leave

Condition

We identified that for 2 of the 25 transactions tested, team leaders approved their own leave requests on the exception time report.

Criteria

A-102 Common Rule requires non-federal entities that receive federal awards to establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

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Cause

The Board did not follow its own procedures for supervisory review of leave records and exception time reports.

Effect

Employee leave may be incorrectly reported.

Context

2 out of 25 instances of noncompliance with the Board's procedures were found.

Recommendation

We recommend management further review current procedures for approval of leave records and exception time reports to ensure an appropriate level of management review and approval of these documents is performed.

Management's Response

We agree with the recommendation and will review procedures for approval of leave.

III. Federal Award Findings and Questioned Costs

Finding No. 2010-3 Program Manager's Approval of Program Costs

Internal control finding

Program: Special Education Cluster
CFDA#: 84.027, 84.173
Program year: Fiscal year 2010

Condition

A reimbursement for mileage was approved for payment by the fiscal assistant instead of the designated program manager.

Criteria

A-102 Common Rule requires non-federal entities that receive federal awards to establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

Cause

The program manager verbally assigned approval authorization of mileage reimbursement requests to the fiscal assistant but did not document the designation.

Effect

Unauthorized approval of program costs may result.

Context

1 out of 40 transactions included a delegated authorization that was not documented in writing.

Questioned Costs

None noted. The costs and activity was allowable in accordance with A-87 and the grantor's requirements.

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Recommendation

We recommend that the Board review current procedures and make appropriate revisions to ensure that the appropriate level of independent approval is obtained for all program costs. The Board should ensure the designation of this responsibility is documented, maintained and available for review upon request.

Management's Response

We agree with the finding and all future delegations of authority will be in writing.

Finding No. 2010-4 Retention of Monthly Activity Report (MAR) for Early Intervention Services (EIS)

Internal control finding

Program: Special Education Cluster
CFDA#: 84.027, 84.173
Program year: Fiscal year 2010

Condition

The Board did not consistently retain copies or document receipt of the originally submitted MAR reports when the MAR was returned to the employee for correction or clarification. The revised forms were retained but did not document the initial date that the MAR was submitted.

Criteria

A-102 Common Rule requires non-federal entities that receive federal awards to establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

Cause

Current reporting procedure did not anticipate the need to retain or document receipt of the original document if the MAR was returned for correction or clarification.

Effect

The Board may not be able to support their internal controls over compliance requirements in relation to EIS time and effort reporting.

Context

We identified 10 out of 100 transactions where the MAR was dated and received in excess of 30 days after the 15th of the following month because the original MAR was returned to the employee for correction or clarification.

Questioned Costs

None noted. The teacher's time and effort in relation to EIS was adequately documented.

Recommendation

We recommend that the Board review the current MAR's reporting procedures to ensure that the procedures provide guidance for documenting corrections to reports after being received.

Management's Response

We will adjust the MAR procedures to ensure that all original MARs and correspondence regarding the MAR is retained along with the final corrected MAR, if applicable.

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Finding No. 2010-5 Segregation of Duties

Internal control finding

Program: Infants and Toddlers Program
CFDA#: 84.181, 393
Program year: Fiscal year 2010

Condition

The same employee prepares, authorizes and submits the Financial Status Report (FSR) to the County Health Department for reimbursement.

Criteria

A-102 Common Rule requires non-federal entities that receive federal awards to establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

Cause

FY 2010, the reimbursement process for the Infants and Toddlers Program was not performed by the Board's Office of Grants Accounting. The reimbursement of costs was processed by the County Health Department which requires a FSR to be completed and faxed to the County Health Department. This responsibility was the task of one employee.

Effect

The Board may be unable to prevent errors in the reimbursement request in a timely manner.

Context

This process was effective for the entire FY 2010. All reimbursement requests were prepared, authorized and submitted by one employee.

Questioned Costs

None noted. All reimbursement requests were supported by paid program expenditures.

Recommendation

We recommend that the Board identify all reimbursement requests prepared and submitted outside of the Office of Grants Accounting, and determine if the responsibility of preparer and approver are segregated.

Management's Response

Because of the agency's requirements, the Office of Third Party Billing handled the submission of the FSR for the Infants and Toddlers Program. This was the only FSR done outside of the Grants Accounting Office because MSDE did not provide for this submission electronically. In July 2010 (FY2011), MSDE changed the process and the submission is now done through the electronic process in the Office of Grants Accounting.

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Finding No. 2010-6 Highly Qualified: Verification of Paraprofessional's Education
Internal control and compliance finding

Program

All programs supporting highly qualified positions

Condition

The Board did not obtain verification that 5 of 9 paraprofessionals obtained a high school diploma or General Education Development (GED) in order to comply with the highly qualified paraprofessional requirement.

Criteria

A-102 Common Rule requires non-federal entities that receive federal awards to establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

Cause

During FY 2010, the Board implemented procedures to obtain verification of an employee's successful completion of a high school diploma or GED. This procedure was not retro-actively applied to cover existing employees.

Effect

The Board may be unable to adequately support that a paraprofessional satisfied all highly qualified compliance requirements.

Context

5 out of 9 paraprofessionals personnel files tested did not provide verification of the employee's high school diploma or GED.

Questioned Costs

Undetermined. Based on the information in the personnel file, we are unable to determine whether or not the paraprofessional complied with the highly qualified educational requirements.

Recommendation

We recommend that the Board continue with the policy implemented during FY 2010, and request verification of existing employee's high school diploma or GED.

Management's Response

The 5 individuals referred to were hired between 1980 and 2001, before enactment of the No Child Left Behind (NCLB) law and the applicable requirements for highly qualified paraprofessionals. Although the personnel files did not include copies of a high school diploma or GED certificate, the files do contain documentation of having successfully passed the *Parapro* assessment – "Maryland's official state assessment for meeting the instructional paraprofessional requirements of the NCLB". Additionally, the personnel files contained the employee's application for employment, which includes the employee's affirmation of having obtained a high school diploma or GED certificate. If it becomes evident that an employees' personnel file lacks appropriate documentation, additional documentation will be obtained.

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SCHEDULE OF PRIOR YEAR FINDINGS
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Finding No. 09-01 ***Baltimore County Public School's (BCPS) written procedures for documenting the time and effort reporting for Early Intervening Services (EIS) were not consistently performed by the EIS teaching staff.***

Condition

Time and effort documentation for 5 of the 25 EIS teaching staff selected for testing was not consistent with the BCPS' procedures. EIS expenditures related to the 5 teachers was not adequately supported.

Current Year Status

Resolved.