

---

**OMB CIRCULAR A-133**  
**SUPPLEMENTAL FINANCIAL REPORT**

Year Ended June 30, 2011

---

**MONTGOMERY COUNTY PUBLIC SCHOOLS**  
**OMB Circular A-133 Supplemental Financial Report**  
**Table of Contents**  
**Year Ended June 30, 2011**

	<i>Page</i>
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 <i>Government Auditing Standards</i>	1
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 in Accordance With OMB Circular A-133	3
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	10
Schedule of Findings and Questioned Costs	11
Schedule of Prior Year Findings	14

**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***

Board of Education  
of Montgomery County, Maryland  
Rockville, Maryland

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Montgomery County Public Schools' (MCPS) as of and for the year ended June 30, 2011 and the budgetary comparison for the general fund for the year ended June 30, 2011, and have issued our report thereon dated September 23, 2011. 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 MCPS' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MCPS' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of MCPS' 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 misstatements on a timely basis. A *material weakness* is a deficiency, or 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 would not necessarily 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.

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

As part of obtaining reasonable assurance about whether MCPS' 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 MCPS in a separate letter dated September 23, 2011.

This report is intended solely for the information and use of the Fiscal Management Committee, the members of the Board of Education of Montgomery 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 Gundersen LLP*

Baltimore, Maryland  
September 23, 2011

**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 in Accordance With OMB Circular A-133**

Board of Education  
of Montgomery County, Maryland  
Rockville, Maryland

***Compliance***

We have audited the compliance of Montgomery County Public Schools (MCPS) with the types of compliance requirements described in the *U.S. 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, 2011. MCPS' 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 MCPS' management. Our responsibility is to express an opinion on MCPS' 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 MCPS' 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 MCPS' compliance with those requirements.

In our opinion, MCPS 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, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with the allowable cost and activity requirement, which is 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 2011-01.

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

The management of MCPS 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 MCPS' 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 MCPS' 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 a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2011-01. 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.

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of MCPS as of and for the year ended June 30, 2011 and the budgetary comparison for the general fund for the year ended June 30, 2011 and have issued our report thereon dated September 23, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the MCPS' 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.

MCPS' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit MCPS' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Fiscal Management Committee, the members of the Board of Education of Montgomery 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 Gundersen LLP*

Baltimore, Maryland

November 30, 2011, except for our report on the Schedule of  
Expenditures of Federal Awards which is September 23, 2011

**MONTGOMERY COUNTY PUBLIC SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2011**

Federal Grantor/Pass-through/Program	CFDA Number	Pass-through Grantor Number	MCPS Project Number	Federal Expenditures
<b>Department of Agriculture</b>				
Distributed through Maryland State Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	food1	food1	\$ 4,716,368
National School Lunch Program	10.555	food2	food2	16,936,052
Food Distribution	10.555	food5	food5	2,580,233
Summer Food Service Program	10.559	food3	food3	760,602
Total Child Nutrition Cluster				<u>24,993,255</u>
Child and Adult Care Food Program	10.558	food4	food4	1,175,357
At Risk Supper Program	10.558	food7	food7	259,883
School Breakfast Contest	10.560	115858-01	n/a	100
Fresh Fruit and Vegetable Program	10.582	food6	food6	197,038
Total distributed through Maryland State Department of Education				<u>26,625,633</u>
Total Department of Agriculture				<u>26,625,633</u>
<b>Department of Education</b>				
Distributed through Maryland State Department of Education:				
Special Ed Cluster:				
Special Ed Cluster	84.027	104240-01	7369	24,311
Special Ed Cluster	84.027	104241-01	7357	29,105
Special Ed Cluster	84.027	104394-01	7361	6,035
Special Ed Cluster	84.027	104507-01	7302	30,330
Special Ed Cluster	84.027	104507-02	7314	5,652
Special Ed Cluster	84.027	104507-02	7316	350,778
Special Ed Cluster	84.027	104507-02	7317	91,143
Special Ed Cluster	84.027	104507-03	7304	33,616
Special Ed Cluster	84.027	104507-04	7305	7,642
Special Ed Cluster	84.027	104507-05	7306	1,686
Special Ed Cluster	84.027	104507-06	7303	39
Special Ed Cluster	84.027	104507-07	7318	161,205
Special Ed Cluster	84.027	104851-01	7360	15,013
Special Ed Cluster	84.027	104852-02	7356	8,485
Special Ed Cluster	84.027	104853-01	7375	748
Special Ed Cluster	84.027	105508-01	7354	28,197
Special Ed Cluster	84.027	114579-01	7402	27,242,431
Special Ed Cluster	84.027	114579-02	7415	408,768
Special Ed Cluster	84.027	114579-05	7403	5,057
Special Ed Cluster	84.027	114579-06	7404	58,996
Special Ed Cluster	84.027	114579-07	7405	9,994
Special Ed Cluster	84.027	114579-08	7406	1,318
Special Ed Cluster	84.027	114616-01	7469	79,322
Special Ed Cluster	84.027	114617-01	7454	42,130
Special Ed Cluster	84.027	114618-01	7456	42,993
Special Ed Cluster	84.027	114619-01	7474	30,929
Special Ed Cluster	84.027	114620-01	7475	44,564
Special Ed Cluster	84.027	114621-01	7461	16,887
Special Ed Cluster	84.027	115988-01	7460	1,998
Special Ed Cluster	84.173	104827-03	7367	14,881
Special Ed Cluster	84.173	104962-01	7374	25,159
Special Ed Cluster	84.173	114542-02	7467	27,571
Special Ed Cluster	84.173	114579-03	7408	742,924



**MONTGOMERY COUNTY PUBLIC SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2011**  
**(continued)**

Federal Grantor/Pass-through/Program	CFDA Number	Pass-through Grantor Number	MCPS Project Number	Federal Expenditures
<b>Department of Education (continued)</b>				
Special Ed Cluster: (continued)				
Special Ed Cluster	84.173	114579-04	7422	12,568
Special Ed Cluster - Recovery Act	84.391	104401-01	7334	12,202,598
Special Ed Cluster - Recovery Act	84.391	104401-02	7341	2,111,172
Special Ed Cluster - Recovery Act	84.391	104401-02	7342	38,392
Special Ed Cluster - Recovery Act	84.391	104401-05	7416	205,377
Special Ed Cluster - Recovery Act	84.392	104401-03	7335	692,493
Special Ed Cluster - Recovery Act	84.392	104401-04	7343	80,976
Special Ed Cluster - Recovery Act	84.392	104401-08	7417	9,228
Total Special Ed Cluster				<u>44,942,711</u>
Title I, Part A Cluster:				
Title I, Part A Cluster	84.010	104775-01	7324	23,128
Title I, Part A Cluster	84.010	104803-01	7300	50
Title I, Part A Cluster	84.010	104803-01	7320	69,685
Title I, Part A Cluster	84.010	114455-01	7400	69,271
Title I, Part A Cluster	84.010	114455-01	7420	16,637,578
Title I, Part A Cluster	84.010	114787-01	7453	556,320
Title I, Part A Cluster	84.010	115839-01	7424	139,641
Title I, Part A Cluster	84.010	116214-01	7447	7,468
Title I, Part A Cluster - Recovery Act	84.389	105066-01	7323	5,916,448
Title I, Part A Cluster - Recovery Act	84.389	105765-01	7376	38,835
Total Title I, Part A Cluster				<u>23,458,424</u>
Education of Homeless Children and Youth Cluster:				
Education of Homeless Children and Youth Cluster	84.196	105563-01	7389	10,246
Education of Homeless Children and Youth Cluster	84.196	114099-01	7483	35,000
Education of Homeless Children and Youth Cluster	84.196	116206-01	7489	91,441
Education of Homeless Children and Youth Cluster - Recovery Act	84.387	104927-01	7390	28,670
Total Education of Homeless Children and Youth Cluster				<u>165,357</u>
Educational Technology State Grants Cluster:				
Educational Technology State Grants Cluster	84.318	105008-01	7337	8,679
Educational Technology State Grants Cluster	84.318	105769-01	7382	304,397
Educational Technology State Grants Cluster	84.318	115837-01	7486	4,814
Educational Technology State Grants Cluster	84.318	900815-01	7237	7,306
Educational Technology State Grants Cluster	84.318	901372-01	7282	258,634
Total Educational Technology State Grants Cluster				<u>583,830</u>
State Fiscal Stabilization Fund Cluster:				
State Fiscal Stabilization Fund Cluster - Recovery Act	84.394	114081-01/03/05	7425	29,261,214
Vocational Education				
Vocational Education	84.048	114666-01	7430	136,444
Vocational Education	84.048	114666-01	7431	244,003
Vocational Education	84.048	114666-01	7432	156,288
Vocational Education	84.048	114666-01	7433	462,730
Vocational Education	84.048	114666-01	7436	60,790
Vocational Education	84.048	114666-01	7438	117,728
Vocational Education	84.048	115668-01	7464	8,898
Vocational Education	84.048	115668-01	7472	8,000
Vocational Education	84.048	115668-01	7473	7,958
Vocational Education	84.048	115668-01	7497	7,800
Total Vocational Education				<u>1,210,639</u>

**MONTGOMERY COUNTY PUBLIC SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2011**  
**(continued)**

<b>Federal Grantor/Pass-through/Program</b>	<b>CFDA Number</b>	<b>Pass-through Grantor Number</b>	<b>MCPS Project Number</b>	<b>Federal Expenditures</b>
<b>Department of Education (continued)</b>				
Distributed through Maryland State Department of Education (continued):				
Safe and Drug-Free Schools	84.186	104296-01	7325	<u>74,466</u>
Tech Prep Education	84.243	114666-02	7411	<u>131,535</u>
Twenty-First Century Community Learning Centers	84.287	105890-01	7385	320,813
Twenty-First Century Community Learning Centers	84.287	116019-01	7465	<u>4,301</u>
Total Twenty-First Century Community Learning Centers				<u>325,114</u>
Advanced Placement Program	84.330	114748-01	n/a	<u>25,300</u>
Reading First	84.357	104644-01	7395	156,016
Reading First	84.357	115235-01	7452	<u>25,000</u>
Total Reading First				<u>181,016</u>
English Language Acquisition	84.365	104627-01	7327	327,880
English Language Acquisition	84.365	104627-02	7301	109
English Language Acquisition	84.365	115190-01	7427	<u>2,982,079</u>
Total English Language Acquisition				<u>3,310,068</u>
Improving Teacher Quality	84.367	104605-01	7307	162,503
Improving Teacher Quality	84.367	104605-01	7339	82,953
Improving Teacher Quality	84.367	114281-01	7407	161,968
Improving Teacher Quality	84.367	114281-01	7423	561,633
Improving Teacher Quality	84.367	114281-01	7439	<u>3,236,397</u>
Total Improving Teacher Quality				<u>4,205,454</u>
Education Jobs Fund	84.410	115730-01	7446	<u>17,510,621</u>
Learn and Serve America	94.004	114385-01	7459	<u>21,869</u>
Total distributed through Maryland State Department of Education				<u>125,407,618</u>
Distributed through Anne Arundel County Public Schools:				
Education Technology State Grants, Recovery Act	84.386	11157498	7498	<u>66,213</u>
Total distributed through Anne Arundel County Public Schools				<u>66,213</u>
Distributed through Prince George's County Public Schools:				
Title I, Part A Cluster	84.010	11157476	7476	<u>13,016</u>
Total distributed through Prince George's County Public Schools				<u>13,016</u>
Direct Payments:				
Education Quality Award Ambassadorship	11.013	60NANB11D029	7470	22,617
Measurement and Engineering Research and Standards	11.609	70NANB10H176	7451	14,000
Impact Aid Cluster	84.041	pl874	pl874	390,089
Indian Education	84.060	S060A090538	7326	12,736
Indian Education	84.060	S060A100538	7426	13,025
Safe and Drug-Free Schools	84.184	Q184B070273	7852	38,383
Safe and Drug-Free Schools	84.184	Q184E100343A	7457	99,497
Fund for the Improvement of Education	84.215	U215K080026	7277	(963)
Fund for the Improvement of Education	84.215	U215X100366	7458	156,897
Fund for the Improvement of Education	84.215	V215L052020	7365	9,745

**MONTGOMERY COUNTY PUBLIC SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2011**  
**(continued)**

<b>Federal Grantor/Pass-through/Program</b>	<b>CFDA Number</b>	<b>Pass-through Grantor Number</b>	<b>MCPS Project Number</b>	<b>Federal Expenditures</b>
Direct Payments: (continued)				
Fund for the Improvement of Education	84.215	V215L052020	7677	32,848
Fund for the Improvement of Education	84.215	V215L052020	7678	27,165
State Fiscal Stabilization Fund Cluster - Recovery Act	84.396	U396C100977	7466	<u>1,257,653</u>
Total Direct Payments				<u>2,073,692</u>
Total Department of Education				<u>127,560,539</u>
<b>Department of Health and Human Services</b>				
Distributed through Montgomery County, Maryland:				
Special Ed Cluster	84.027	11157409	7409	224,359
Early Intervention Services Cluster	84.181	11157410	7410	100,978
Early Intervention Services Cluster - Recovery Act	84.393	10157377	7377	443,881
Early Intervention Services Cluster - Recovery Act	84.393	11157455	7455	797,717
Head Start Cluster	93.600	11157428	7428	3,379,918
Head Start Cluster	93.600	11157429	7429	53,488
Head Start Cluster - Recovery Act	93.708	10157366	7366	<u>615</u>
Total Department of Health and Human Services				<u>5,000,956</u>
<b>Environmental Protection Agency</b>				
Distributed through Maryland Department of the Environment:				
State Clean Diesel Grant Program	66.040	10157386	7386	<u>178,272</u>
Total Environmental Protection Agency				<u>178,272</u>
<b>National Security Agency</b>				
Direct Payments:				
Mathematical Sciences Grants Program	12.901	10157393	7393	<u>27,808</u>
Total National Security Agency				<u>27,808</u>
<b>Department of Homeland Security</b>				
Distributed through Maryland Emergency Management Agency:				
Disaster Grants-Public Assistance	97.036			<u>1,116,294</u>
Total U.S. Department of Homeland Security				<u>1,116,294</u>
<b>Grand Total Expenditures of Federal Awards</b>				<u>\$ 160,509,502</u>

**MONTGOMERY COUNTY PUBLIC SCHOOLS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2011**

**1. Summary of Significant Accounting Policies**

The Schedule of Expenditures of Federal Awards (the Schedule) relates only to federal programs administered by Montgomery County Public Schools (MCPS). It should be read in conjunction with MCPS' basic financial statements and the accompanying notes. The federal programs are subject to the accounting policies and procedures of MCPS, which conform to accounting principles generally accepted in the United States for governmental entities. The accompanying Schedule has been prepared using the modified accrual basis of accounting. This basis of accounting is fully described in the Summary of Significant Accounting Policies to the MCPS's financial statements.

The federal grant programs account for the expenditure of funds by MCPS in the General and Enterprise funds. Expenditures represent direct costs of operating programs, principally personnel and fringe benefit costs. Expenditures of grant funds are made for the purposes specified by the grantor, which include certain restrictions. The grantor may ultimately disallow certain expenditures which MCPS has charged to grant funds. In the event of final disallowance, the funds will be reimbursed to the federal government by MCPS.

The federal share of the Enterprise funds is commingled with state and local funding, as well as revenues provided from user charges. Expenditures are assumed to be paid first from the federal revenues for purposes of the Schedule. Commodities received from the U.S. Department of Agriculture are valued at fair market value and recorded as expenditures when used. During the fiscal year ended June 30, 2011, the fair market value of commodities consumed was \$2,580,233.

MCPS provided \$217,518 to subrecipients from federal awards distributed through the Maryland State Department of Education; and \$1,175,357 for the Child and Adult Care Food Program.

**2. Reconciliation of Federal Expenditures**

Federal expenditures in the MCPS Comprehensive Annual Financial Report (CAFR) reconcile to the Schedule of Expenditures of Federal Awards as follows:

General fund federal expenditures	\$ 143,121,266
Enterprise funds federal expenditures	<u>26,828,898</u>
Total federal expenditures per the CAFR	169,950,164
Plus: Advanced Placement Test Free Program	25,300
School Breakfast Contest	100
Less Funds not included on the Schedule:	
Medical Assistance	(4,761,904)
Medicare Part D	(4,500,793)
First Class Breakfast Initiative Grants	(2,222)
Maryland Hunger Solutions	(1,143)
Milk Grants	(200,000)
<b>Total federal expenditures per the Schedule</b>	<u><u>160,509,502</u></u>

**MONTGOMERY COUNTY PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2011**

**Part I—Summary of Auditor’s Results**

**Financial Statement Section**

Type of auditor’s report issued:		Unqualified	
		<u>Yes</u>	<u>No</u>
Internal control over financial reporting:			
Material weakness(es) identified?			X
Significant deficiency(ies) identified not considered to be material weakness(es)?			X
Noncompliance material to financial statements noted?			X

**Federal Awards Section**

		<u>Yes</u>	<u>No</u>
Material weakness(es) identified?			X
Significant deficiency(ies) identified not considered to be material weakness(es)?		X	

Type of auditor’s report on compliance for major programs:		Unqualified	
		<u>Yes</u>	<u>No</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (Section .510(a))		X	

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.410	Education Jobs Fund
84.027, 173, 391, 392	Special Education Cluster
84.010, 389	Title I
84.394	State Fiscal Stabilization Fund – Recovery Act
84.396	State Fiscal Stabilization Fund – Recovery Act
84.318, 386	Enhancing Education Through Technology
84.181, 393	Early Intervention Services
84.367	Title II

Dollar threshold used to determine Type A programs:		\$3,000,000	
		<u>Yes</u>	<u>No</u>
Auditee qualified as low-risk auditee?		X	

**MONTGOMERY COUNTY PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2011**

**Part II—Financial Statement Findings Section**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

There were no findings identified during the audit for the year ended June 30, 2011.

**Part III—Federal Award Findings and Questioned Costs Section**

**2011-01**                      **Time and Effort (Internal control and compliance)**  
**Federal Program:**      Special Education: CFDA # 84.027, 173, 391, 392  
                                    Early Intervention Services: CFDA # 84.181, 393  
                                    Title I: CFDA # 84.010, 389  
                                    Enhancing Education Through Technology: CFDA # 84.318, 386  
                                    Title II: CFDA # 84.367  
                                    State Fiscal Stabilization Fund: CFDA # 84.396

**Condition:**                      We noted instances in which time and effort certification was not documented in accordance with MCPS' procedures and federal requirements.

**Criteria:**                        OMB Cost Principle A-87 (B.8)(h.4) states that where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of work performed by the employee.

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be prepared at least monthly and must coincide with one or more pay periods; and (d) they must be signed by the employee or knowledgeable supervisor.

Per the Internal Control-Integrated Framework (COSO Report), published by the Committee of Sponsoring Organizations of the Treadway Commission Impact Aid, payroll documents such as timesheets should be reviewed and approved with authorized signatures (manual or electronic) to verify the accuracy of the amount of hours charged to the federal programs.

**MONTGOMERY COUNTY PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2011**

**Cause:** Time and effort certifications were not documented in accordance with MCPS' procedures, and the inconsistencies were not identified during the review process.

**Effect:** MCPS may be unable to support the time and effort of employees' salaries charged to federal programs. This may result in the allowability of these costs being questioned by the grantor or pass-through agency.

**Questioned Costs:** \$17,302 represents time and effort certifications not completed.

**Context:** 23 out of 188 time and effort certifications were not completed.  
51 out of 188 time and effort certifications did not contain evidence of supervisory review.

**Recommendation:** We recommend that MCPS reiterate their procedures for documenting and reviewing employee's time and effort certifications. In addition, supervisory review of the certifications should be documented.

**Management  
Response:**

MCPS agrees with the finding. The time and effort certification process and procedures will be evaluated to ensure that the certification forms are completed and all required signatures are obtained.

**MONTGOMERY COUNTY PUBLIC SCHOOLS  
SCHEDULE OF PRIOR YEAR FINDINGS  
For the Year Ended June 30, 2011**

**2010-01**                    **Lack of adequate suspension and debarment procedures  
(Internal control and compliance)**

**Federal Program:**    Child Nutrition Cluster:  
CFDA #: 10.553, 555, 559, 579, 582

All Programs subject to suspension and debarment requirements.

**Condition:**            The Board did not maintain adequate documentation to support vendor's  
suspension and debarment status.

**Current Year  
Status:**                Fully Corrected - The Board has adopted a policy and has implemented  
procedures that assure a vendor's suspension and debarment status is  
verified and documented during the procurement process.

We reviewed, documented and tested MCPS' revised suspension and  
debarment procedures as part of the current year's procurement testing.