

MONTGOMERY COUNTY PUBLIC SCHOOLS

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

Year Ended June 30, 2013

MONTGOMERY COUNTY PUBLIC SCHOOLS
OMB Circular A-133 Supplemental Financial Report
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Education
of Montgomery County Public Schools
Rockville, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the 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), a component unit of Montgomery County, Maryland, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise MCPS's basic financial statements, and have issued our report thereon dated September 27, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MCPS's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MCPS's internal control. Accordingly, we do not express an opinion on the effectiveness of MCPS's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MCPS's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no

instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of MCPS's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MCPS's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Baltimore, Maryland

September 27, 2013

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM,
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
of Montgomery County, Maryland
Rockville, Maryland

Report on Compliance for Each Major Federal Program

We have audited the Montgomery County Public School's (MCPS) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of MCPS's major federal programs for the year ended June 30, 2013. MCPS's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of MCPS's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of MCPS's compliance.

Opinion on Each Major Federal Program

In our opinion, MCPS complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of MCPS is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered MCPS's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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'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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of MCPS as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise MCPS's basic financial statements. We issued our report thereon dated September 27, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the

schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland

December 13, 2013 except for the Schedule of Federal Awards
which is dated September 27, 2013

MONTGOMERY COUNTY PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

Federal Grantor/Pass-through/Program	CFDA Number	Pass-through Grantor Number	MCPS Project Number	Federal Expenditures
Department of Agriculture				
Distributed through Maryland State Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	food1	food1	\$ 6,463,822
National School Lunch Program	10.555	food2	food2	19,934,594
Food Distribution	10.555	food5	food5	2,536,630
Summer Food Service Program	10.559	food3	food3	619,563
Total Child Nutrition Cluster				<u>29,554,609</u>
Child and Adult Care Food Program	10.558	food4	food4	1,393,322
At Risk Supper Program	10.558	food7	food7	616,283
Team Nutrition Grants	10.574	124136-01	8296	4,823
Fresh Fruit and Vegetable Program	10.582	food6	food6	122,472
Total distributed through Maryland State Department of Education				<u>31,691,509</u>
Direct Payments:				
Team Nutrition Grants	10.574	food8	food8	56,000
Total Direct Payments				<u>56,000</u>
Total Department of Agriculture				<u>31,747,509</u>
Department of Education				
Distributed through Maryland State Department of Education:				
Special Ed Cluster:				
Special Ed Cluster	84.027	124597-01	8261	10,997
Special Ed Cluster	84.027	124598-01	8269	13,225
Special Ed Cluster	84.027	124616-01	8254	56,198
Special Ed Cluster	84.027	125224-01	8275	24,182
Special Ed Cluster	84.027	125345-01	8202	1,944,984
Special Ed Cluster	84.027	125345-02	8215	26,970
Special Ed Cluster	84.027	125345-05	8205	6,112
Special Ed Cluster	84.027	125345-06	8206	1,356
Special Ed Cluster	84.027	125345-07	8203	2,371
Special Ed Cluster	84.027	125345-08	8204	33,174
Special Ed Cluster	84.027	125494-01	8274	52,125
Special Ed Cluster	84.027	134272-01	8302	25,985,243
Special Ed Cluster	84.027	134272-02	8315	530,335
Special Ed Cluster	84.027	134272-05	8305	15,000
Special Ed Cluster	84.027	134272-06	8306	1,173
Special Ed Cluster	84.027	134272-07	8303	7,869
Special Ed Cluster	84.027	134272-08	8304	226,760
Special Ed Cluster	84.027	134881-01	8356	237,202
Special Ed Cluster	84.173	124547-02	8267	30,920
Special Ed Cluster	84.173	134272-03	8308	741,319
Special Ed Cluster	84.173	134272-04	8322	10,590
Special Ed Cluster	84.173	134530-03	8367	21,774
Special Ed Cluster	84.173	134749-02	8374	100,826
Total Special Ed Cluster				<u>30,080,705</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013
(continued)

Federal Grantor/Pass-through/Program	CFDA Number	Pass-through Grantor Number	MCPS Project Number	Federal Expenditures
Department of Education (continued)				
Distributed through Maryland State Department of Education (continued):				
Title I, Part A Cluster:				
Title I, Part A Cluster	84.010	124538-01	8220	\$ 1,603,634
Title I, Part A Cluster	84.010	125221-01	8224	13,352
Title I, Part A Cluster	84.010	125507-01	8247	69,860
Title I, Part A Cluster	84.010	134401-01	8320	19,326,284
Title I, Part A Cluster	84.010	134496-01	8324	117,618
Title I, Part A Cluster	84.010	135063-02	8365	219,645
Title I, Part A Cluster	84.010	135092-02	8366	54,067
Title I, Part A Cluster	84.010	135204-02	8358	220,103
Total Title I, Part A Cluster				<u>21,624,563</u>
Education of Homeless Children and Youth Cluster:				
Education of Homeless Children and Youth Cluster	84.196	124765-01	8289	1,835
Education of Homeless Children and Youth Cluster	84.196	134917-01	8389	65,229
Total Education of Homeless Children and Youth Cluster				<u>67,064</u>
Educational Technology State Grants Cluster:				
Educational Technology State Grants Cluster	84.318	115837-02	7482	290,697
Total Educational Technology State Grants Cluster				<u>290,697</u>
Vocational Education				
Vocational Education	84.048	134775-01	8330	156,362
Vocational Education	84.048	134775-01	8331	398,411
Vocational Education	84.048	134775-01	8332	145,475
Vocational Education	84.048	134775-01	8333	441,797
Vocational Education	84.048	134775-01	8336	58,579
Vocational Education	84.048	134952-01	8364	6,836
Vocational Education	84.048	134952-01	8372	8,000
Vocational Education	84.048	134952-01	8387	7,046
Vocational Education	84.048	134952-01	8397	7,915
Total Vocational Education				<u>1,230,421</u>
Advanced Placement Program	84.330	134516-01		<u>75,210</u>
English Language Acquisition				
English Language Acquisition	84.365	124295-01	8227	243,890
English Language Acquisition	84.365	124295-02	8201	506
English Language Acquisition	84.365	134220-01	8327	3,501,625
English Language Acquisition	84.365	134220-02	8301	30,779
Total English Language Acquisition				<u>3,776,800</u>
Improving Teacher Quality				
Improving Teacher Quality	84.367	124213-01	8207	304,663
Improving Teacher Quality	84.367	124213-01	8239	178,361
Improving Teacher Quality	84.367	134597-01	8340	33,044
Improving Teacher Quality	84.367	134597-02	8307	101,028
Improving Teacher Quality	84.367	134597-02	8338	139,672
Improving Teacher Quality	84.367	134597-02	8339	3,172,132
Total Improving Teacher Quality				<u>3,928,900</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013
(continued)

Federal Grantor/Pass-through/Program	CFDA Number	Pass-through Grantor Number	MCPS Project Number	Federal Expenditures
Department of Education (continued)				
Distributed through Maryland State Department of Education (continued):				
Race to the Top	84.395	125625-01/02	8282	\$ 232,328
Race to the Top	84.395	135185-01	8357	<u>23,506</u>
Total Race to the Top				<u>255,834</u>
Education Jobs Fund- ARRA	84.410	125606-01	8249	324,015
Education Jobs Fund- ARRA	84.410	134319-01	8349	<u>19,611</u>
Total Education Jobs Fund				<u>343,626</u>
Total distributed through Maryland State Department of Education				<u>61,673,820</u>
Distributed through Prince George's County Public Schools:				
Title I, Part A Cluster	84.010	13158355	8355	<u>30,190</u>
Total distributed through Prince George's County Public Schools				<u>30,190</u>
Direct Payments:				
Education Quality Award Ambassadorship	11.013	60NANB11D029	7470	21,001
Measurement and Engineering Research and Standards	11.609	70NANB11H124	8351	16,000
Measurement and Engineering Research and Standards	11.609	70NANB11H110	8352	8,000
Impact Aid Cluster	84.041	pl874	pl874	504,490
Indian Education	84.060	S060A120538	8326	24,225
Safe and Drug-Free Schools	84.184	Q184E100343A	7457	170,264
Fund for the Improvement of Education	84.215	U215X100366	7458	479,279
State Fiscal Stabilization Fund Cluster - Recovery Act (ARRA)	84.396	U396C100977	7466	1,491,616
Child Health and Human Development Extramural Research	93.865	HHSN269999900236I	8316	<u>245,487</u>
Total Direct Payments				<u>2,960,362</u>
Total Department of Education				<u>64,664,372</u>
Department of Health and Human Services				
Distributed through Montgomery County, Maryland:				
Special Ed Cluster	84.027	12158209	8209	10,680
Special Ed Cluster	84.027	13158309	8309	225,322
Early Intervention Services Cluster	84.181	13158310	8310	121,835
Head Start Cluster	93.600	13158328	8328	3,495,891
Head Start Cluster	93.600	13158329	8329	<u>53,488</u>
Total distributed through Montgomery County, Maryland				<u>3,907,216</u>
Total Department of Health and Human Services				<u>3,907,216</u>
Department of Energy				
Distributed through Montgomery County, Maryland (continued):				
Energy Efficiency and Conservation Grant - ARRA	81.028	900119	2645, 2305	<u>399,613</u>
Total distributed through Montgomery County, Maryland				<u>399,613</u>
Grand Total Expenditures of Federal Awards				<u><u>\$ 100,718,710</u></u>

The accompanying notes are an integral part of this schedule.

MONTGOMERY COUNTY PUBLIC SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

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 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, capital projects 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, 2013, the fair market value of commodities consumed was \$2,536,630.

MCPS provided \$109,123 to subrecipients from federal awards distributed through the Maryland State Department of Education for CFDA 84.318 and 84.365 in the amount of \$67,838 and \$41,285 respectively; and \$1,393,322 for the Child and Adult Care Food Program to improve the quality of day care for children of low-income families by managing reimbursements for qualified meals and snacks to licensed day care providers.

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	\$ 75,230,261
Capital Fund federal expenditures	2,437,796
Enterprise Fund federal expenditures	<u>31,747,509</u>
Total federal expenditures per the CAFR	109,415,566
Plus: Advanced Placement Test Free Program	75,210
Less: Funds not included on the Schedule:	
ERATE	(2,038,183)
Medical Assistance	(4,348,530)
Infants and Toddlers - MA	(435,191)
Medicare Part D	<u>(1,950,162)</u>
Total federal expenditures per the Schedule	<u>\$ 100,718,710</u>

These notes are an integral part of the accompanying schedule.

**MONTGOMERY COUNTY PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013**

I. Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued: Unmodified

	<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: Unmodified

	<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
10.553, 555, 559	Child Nutrition Cluster
84.365	English Language Acquisition
93.600	Head Start
10.558	Child and Adult Care Food Program
84.048	Perkins Vocational Ed

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, 2013**

II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED *GOVERNMENT AUDITING STANDARDS*

A. Significant Deficiencies in Internal Control

None.

B. Compliance Findings

None.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

A. Significant Deficiencies in Internal Control

None.

B. Compliance Findings

None.

**MONTGOMERY COUNTY PUBLIC SCHOOLS
SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended June 30, 2013**

2012-01 **Period of Availability (Internal Control and Compliance)**

Federal Program: English Language Acquisition: CFDA # 84.365

Condition: We noted one instance in which an expenditure was charged to the grant outside of the grant award period of availability.

Current Year

Status: Fully corrected - The Board has adhered to corrective measures to ensure grant expenditures were charged within the allowable grant award period of availability.

We reviewed, documented and tested MCPS' expenditure dates as part of the current year's period of availability testing.