

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

**REPORT ON SINGLE AUDIT  
June 30, 2006**

## TABLE OF CONTENTS

	<b>PAGE</b>
<b>INDEPENDENT AUDITOR’S REPORTS</b>	
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 Applicable to Each Major Program and on Internal Control Over Compliance and Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133 .....	3
<b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....</b>	<b>5</b>
<b>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....</b>	<b>11</b>
<b>NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....</b>	<b>12</b>
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....</b>	<b>13</b>
<b>SCHEDULE OF PRIOR YEAR FINDINGS .....</b>	<b>20</b>

**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***

The Members of the Board of Education  
of Baltimore County, 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) as of and for the year ended June 30, 2006, which collectively comprise the Board's basic financial statements and have issued our report thereon dated September 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated September 8, 2006.

## 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*.

This report is intended solely for the information and use of the audit committee, 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 Gunderson LLP*

Baltimore, Maryland  
September 8, 2006

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

The Members of the Board of Education  
of Baltimore County, Maryland  
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 U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. 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. Clifton Gunderson LLP. 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 and 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 on the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in items 06-01 through 06-05 in the accompanying schedule of findings and questioned costs.

## **Internal Control Over Compliance**

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

## **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 as of and for the year ended June 30, 2006, and have issued our report thereon dated September 8, 2006. Our audit was performed for the purpose of forming opinions 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 audit committee, 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 8, 2006

**BOARD OF EDUCATION OF BALTIMORE COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2006**

<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Entity Identifying Number</b>	<b>Federal Expenditures</b>
U. S. Department of Agriculture:			
Pass-through Programs from Maryland State			
Department of Education:			
Federal Donations of Food Commodities	10.550	—	\$ 1,704,486
National School Lunch Program	10.555	—	11,171,645
After-School Snack Program	10.555	—	24,660
National School Breakfast Program	10.553	—	2,790,184
National School Summer Food Service Program	10.559	—	256,800
			<hr/>
Total U.S. Department of Agriculture			15,947,775
U. S. Department of Commerce			
National Oceanic and Atmospheric Administration			
Pass-through Program from Maryland State			
Department of Education:			
Environmental Education FY 05	11.457	501738-01	106
			<hr/>
National Security Agency:			
Mathematical Sciences Program			
Pass-through Program from University of Maryland-			
Eastern Shore			
Project TEAM FY 06	12.901	UMES 4 - 39	18,194
Direct Program:			
SEIST FY 05-06	12.901		36,343
SEIST FY 06-07	12.901		16,812
			<hr/>
Total National Security Agency			71,349
U.S. Department of Justice			
Public Safety Partnership and Community Policing			
Pass-through Baltimore County Police Department			
COPS FY 05	16.710	006-015-1596-1117	74,959
			<hr/>
U.S. Department of Labor:			
Job Training and Partnership Act:			
Pass-through Programs from Baltimore County, Maryland:			
WIA Youth Activities:			
Steps to Success FY 05	17.259	M5011-5	285
Steps to Success FY 06	17.259	M6003-06	181,461
			<hr/>
Total Department of Labor			181,746
National Science Foundation:			
Direct Program:			
NSF STEM FY 05	47.076		216,564
NSF STEM FY 06	47.076		506,524
			<hr/>
Total National Science Foundation			723,088

**BOARD OF EDUCATION OF BALTIMORE COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2006**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U. S. Department of Education:			
Adult Education State Grant Program:			
Pass-through Program from Maryland State			
Department of Education:			
NALS 1& 2 FY 06	84.002A	600398-03	\$ 8,332
NALS 3 FY 06	84.002A	600398-04	2,240
Local Institutionalized FY 06	84.002A	600398-05	3,406
Adult General Ed (AGE) FY 06 - Federal Carryover	84.002A	600398-06	76,380
Total Adult Education Programs			<u>90,358</u>
Title I Grants to Local Educational Agencies:			
Pass-through Program from Maryland State			
Department of Education:			
Title I FY 04	84.010	400571-01	116,714
Recognition Awards FY 04	84.010	402006-02	2,997
Title I FY 05	84.010	500346-01	4,147,965
School Improvement FY 05	84.010	500984-02	204,463
Recognition Awards FY 05	84.010	501406-01	26,908
Delinquent and At Risk Youth FY 05	84.010A	500347-01	75,533
School Improvement FY 06	84.010	601710-01	96,119
Title I FY 05 - NCLB Act	84.010	601050-01	433,945
Title I - NCLB Act FY 06	84.010	601050-01	89,383
Recognition Awards FY 06	84.010	601847-01	37,986
Title I Neglected and Delinquent Youth FY 06	84.010	600359-01	76,593
Title I FY 06	84.010A	600536-01	15,442,955
Total Title I Grant			<u>20,751,561</u>
Special Education:			
Pass-through Program from Maryland State			
Department of Education:			
LRE FY 05	84.027	500484-05	82,091
Disproportionality FY 05	84.027	500804-01	14,316
CSPD FY 05	84.027	500484-03	11,624
SE Advisory FY 05	84.027	500484-04	2,492
AYP FY 05	84.027	500803-01	103,071
Pass-through FY 05	84.027	500484-01	5,248
LRE Competitive FY 05	84.027	500866-01	40,330
Pass-through Carryover FY 05	84.027	501003-01	89,567
Towson University FY 05	84.027	502010-01	15,217
ALT-MSA FY 06	84.027	600679-01	15,000
LRE Competitive FY 06	84.027	600320-05	55,391
CSPD FY 06	84.027	600320-03	38,878
Pass-through FY 06	84.027	600320-01	17,911,283
Pass-through Carryover FY 06	84.027	601771-01	2,539,991
Supplemental Pass-through FY 06	84.027	600320-02	16,000
SECAC FY 06	84.027	600320-04	1,665
Infants and Toddlers Part B FY 06	84.027	600360-03	155,777
Total Special Education Pass-Through Programs			<u>21,097,941</u>

**BOARD OF EDUCATION OF BALTIMORE COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2006**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U. S. Department of Education, continued:			
Vocational Education Basic Grants To States:			
Pass-through Program from Maryland State			
Department of Education:			
Curriculum Writing for Business Management FY 05	84.048	500541-01	\$ 34,733
Perkins FY 05	84.048	500560-01/02	51,509
Perkins FY 06	84.048	600594-01/02	1,225,277
Total Vocational Education			<u>1,311,519</u>
Magnet Schools Assistance:			
Direct Program:			
MSAP FY 05	84.165A	U165A040066	1,012,763
MSAP FY 06	84.165A	U165A040066-05A	1,738,147
Total Magnet School Assistance			<u>2,750,910</u>
Special Education: Preschool — IDEA Part B:			
Pass-through Program from Maryland State			
Department of Education:			
Preschool Pass-through FY 05	84.173	500484-06	3,444
Preschool Pass-through Carryover FY 05	84.173	501003-02	1,016
Preschool Pass-through Carryover FY 06	84.173	601811-01	36,911
Preschool Pass-through FY 06	84.173	600320-06	807,177
Infants and Toddlers Part B FY 06	84.173	600360-04	9,000
Total IDEA Part B			<u>857,548</u>
Special Education: Preschool — IDEA Part C:			
Pass-through Program from Maryland State			
Department of Education:			
Infants and Toddlers Part C FY 05	84.181A	500206-01/02	47,289
Infants and Toddlers Part C FY 06	84.181A	600360-01/02	879,117
Total IDEA Part C			<u>926,406</u>
Safe and Drug Free Schools and Communities:			
Pass-through Program from Maryland State			
Department of Education:			
FY 04 Title IV - Safe & Drug Free Schools	84.186	400576-01	21,750
FY 05 Title IV - Safe & Drug Free Schools	84.186	500351-01	242,251
FY 06 Title IV - Safe & Drug Free Schools	84.186	600516-01	307,894
I Want to Know Campaign FY 06 - Loch Raven High	84.186	601738-01	250
Total Safe and Drug Free Schools			<u>572,145</u>
Pass-through Program from Maryland State			
Department of Education:			
Education for Homeless Children and Youth FY 05	84.196A	500657-01	32,244
Education for Homeless Children and Youth FY 06	84.196A	600736-01/02	113,395
Total Education for Homeless Children and Youth			<u>145,639</u>

**BOARD OF EDUCATION OF BALTIMORE COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2006**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U. S. Department of Education, continued:			
Even Start Educational Agencies:			
Pass-through Program from Maryland State			
Department of Education:			
Even Start FY 05	84.213C	501463-01	\$ 69,665
Even Start FY 06	84.213C	600928-01	134,792
Total Even Start Educational Agencies			<u>204,457</u>
Fund for Improvement of Education — ESEA Title X			
Direct Program:			
FY 02 Teaching American History	84.215X		186,209
Smaller Learning Communities FY 05	84.215L		1,304,069
Teaching American History FY 06	84.215X		28,059
Total Fund for Improvement of Education			<u>1,518,337</u>
Foreign Language Assistance Program:			
Direct Program:			
FLAP FY 04	84.293B	T293B030170	<u>188,192</u>
Innovative Education Program Strategies:			
Pass-through Program from Maryland State			
Department of Education:			
Title V FY 05	84.298	500352-01	157,956
Title V FY 06	84.298	60043601	305,411
Total Innovative Education Program Strategies			<u>463,367</u>
Technology Literacy Challenge Fund Grant:			
Pass-through Program from Maryland State			
Department of Education:			
Online Technology Assessment Tools FY 04	84.318	401493-01	172,369
Maryland Students Online FY 04	84.318	401495-01	210,436
Education Technology Formula FY 05	84.318	500349-01	324,938
Maryland Students Online FY 05	84.318	500848-01	128,627
Online Technology Assessment Tools FY 05	84.318	500782-01	95,376
Education Technology Formula FY 06	84.318	601021-01	79,671
Algebra Collaborative FY 06	84.318	601103-01	49,252
Pass-through Program from Prince George's County			
Public Schools:			
Project OPEN FY 05	84.318	PGCPS500898	7,752
Pass-through Program from Carroll County			
Public Schools:			
Learning Management Systems FY 05	84.318	CCPS500846	7,500
Pass-through Program from Montgomery County			
MD K-12 Digital Library FY 05	84.318	MCPS	7,544
Student Technology Literacy FY 05	84.318	MCPS	10,459
Pass-through Program from Washington County			
Educational Technology Research FY 05 Year 2	84.318	WCPS401491-01	8,239
Educational Technology Research FY 06	84.318	WCPS 500644	710
Total Technology Literacy Challenge Fund			<u>1,102,873</u>

**BOARD OF EDUCATION OF BALTIMORE COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2006**

<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Entity Identifying Number</b>	<b>Federal Expenditures</b>
U. S. Department of Education, continued:			
Pass-through Program from Maryland State			
Department of Education:			
Advanced Placement : Great Expectations FY 05	84.330C	501608-01	\$ 17,137
Advanced Placement : Great Expectations FY 06	84.330	601829-01	12,592
Baldrige Advanced Placement Lansdowne HS FY 06	84.330	602043-01	2,970
Nexus FY 06	84.330	600890-01	21,362
Total Advanced Placement Incentive Program			<u>54,061</u>
Comprehensive School Reform Demonstration:			
Pass-through Program from Maryland State			
Department of Education:			
Comprehensive School Reform FY 05	84.332A	500974-01	<u>17,994</u>
Gaining Early Awareness and Readiness for			
Undergraduate Program (GEAR UP):			
Pass-through Program from Maryland State			
Department of Education:			
Gear Up FY05	84.334A	500583-01	27,690
Gear Up FY06	84.334A	601261-01	154,073
Gear Up Planning FY06	84.334S	602133-01	20,055
NCCEP FY 06	84.334S	700406-01	334
Total GEAR UP			<u>202,152</u>
Reading First State Grants			
Pass-through Program from Maryland State			
Department of Education:			
Reading First FY 05	84.357A	500870-01	353,902
Reading First FY 06	84.357A	600729-01	880,319
Total Reading First			<u>1,234,221</u>
English Language Acquisition:			
Pass-through Program from Maryland State			
Department of Education:			
Title III - Language Acquisition FY 05	84.365A	500350-01	280,916
Title III - Language Acquisition FY 06	84.365A	600487-01	347,844
Total English Language Acquisition			<u>628,760</u>
Improving Teacher Quality State Grants:			
Pass-through Program from Maryland State			
Department of Education:			
Title II FY 04	84.367	400573-01	540,054
Title II FY 05	84.367	500348-01	1,755,292
Title II FY 06	84.367	600462-01	3,096,065
Total Improving Teacher Quality State Grants			<u>5,391,411</u>

**BOARD OF EDUCATION OF BALTIMORE COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2006**

<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:			
Hurricane Education Recovery			
Pass-through Program from Maryland State Department of Education:			
Emergency Impact Aid - Hurricane Katrina FY 06 Non-Public	84.938C	602015-01	\$ 13,190
Emergency Impact Aid - Hurricane Katrina FY 06 Unrestricted	84.938C	602015-01	138,209
Total Emergency Impact Aid			<u>151,399</u>
Total U. S. Department of Education			<u>59,661,251</u>
U.S. Department of Health and Human Services:			
Comprehensive School Programs to Prevent the Spread of HIV			
Pass-through Program from Maryland State			
Department of Education:			
HIV/AIDS Prevention FY 05	93.938	502011-01	<u>16,636</u>
Acquired Immunodeficiency Syndrome Activity			
Pass-through Program from Maryland State			
Department of Education:			
Sexual Harassment and Assault Prevention FY 05	93.991	500944-01	4,076
Sexual Harassment and Assault Prevention FY 06	93.991	600340-01	10,180
Total Acquired Immunodeficiency Syndrome Activity			<u>14,256</u>
Total U.S. Department of Health and Human Services			<u>30,892</u>
Corporation for National and Community Service:			
Learn and Service America:			
Pass-through Program from Maryland State			
Department of Education:			
FY 05 Learn and Service America	94.004	500639-01	138
FY 06 Learn and Service America	94.004	601006-01	16,800
Total Corporation for National and Community Service			<u>16,938</u>
Department of Homeland Security:			
Urban Areas Security Initiative			
Direct Program			
MEME Security Initiative FY 05	97.008	005-016-1682	<u>86,000</u>
Other Federal Award Programs:			
Direct Programs:			
NASA Dulaney High FIRST FY 06	43.000	NNG06GC50G	6,174
NASA Woodlawn High FIRST FY 06	43.000	NNG055GF38	9,000
Formative Assessment FY 05	99.999	501695-01	159,503
Total Other Federal Award Programs			<u>174,677</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 76,968,781</u></u>

This schedule should be read only in connection with the accompanying summary of significant accounting policies and notes to schedule of expenditures of federal awards.

**BOARD OF EDUCATION OF BALTIMORE COUNTY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**June 30, 2006**

**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, 2006.

**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.

**FOOD COMMODITIES**

The value of food commodities donated by the United States Department of Agriculture (the Department) is determined by the Department and is included in revenues and expenditures in the year received.

**BOARD OF EDUCATION OF BALTIMORE COUNTY**  
**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2006**

**NOTE 1 – 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, 2006:

<b>Total federal expenditures reported in the Schedule</b>	\$ 76,968,781
Federal revenues included in the basic financial statements that are not required to be included in the Schedule:	
Medicaid funds under contract for services	8,548,779
R.O.T.C funds under contract for services	480,569
Miscellaneous items	<u>1</u>
<b>Total</b>	<u>\$ 85,998,130</u>
Total federal revenues reported in the basic financial statements:	
Special Revenue Fund	\$ 69,912,146
Food Service Fund	15,947,775
General Fund	<u>138,209</u>
<b>Total</b>	<u>\$ 85,998,130</u>

This information is an integral part of the accompanying schedule.

**BOARD OF EDUCATION OF BALTIMORE COUNTY, MARYLAND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2006**

**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
Reportable condition(s) identified that are not considered to be material weaknesses	_____	Yes	_____ <u>X</u> _____	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
Reportable condition(s) identified that are not considered to be material weaknesses	_____ <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**

Name of Federal Program or Cluster	CFDA Number(s)
Title I Grants to Local Educational Agencies	84.010
Special Education Cluster	84.027, 84.173
Magnet School Assistance Program	84.165A
Smaller Learning Community	84.215
Title V: Innovative Education Program Strategies	84.298

Dollar threshold used to distinguish between type A and type B programs     \$ 2,309,063

Auditee qualified as low-risk auditee?	_____	Yes	_____ <u>X</u> _____	No
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**BOARD OF EDUCATION OF BALTIMORE COUNTY, MARYLAND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2006**

**II. Financial Statement Findings**

None

**III. Federal Award Findings and Questioned Costs**

**Finding No 06-01** Baltimore County Public School (BCPS) modified time and effort procedures provide instruction for consistent reporting, monitoring and documenting of employee's time and effort. However, the procedures have not been consistently applied by the various grant managers primarily in the reconciliation of payroll costs charged to the grants.

**Programs Effected:** Special Education Cluster CFDA # 84.027 and 84.173  
Magnet Schools Assistance Program (MSAP) CFDA# 84.165  
Smaller Learning Communities Program (SLC) CFDA # 84.215  
Title V, CFDA# 84.298  
Title I, CFDA # 84.010

**Condition:** The time and effort procedures are not being consistently followed throughout the various grant programs. Of the five grants tested, each grant manager instituted a separate process for documenting and monitoring the employees' time and effort. The most significant inconsistency encountered was in the reconciliation of the time spent on specific cost objective and the adjustment required to properly recognize the cost incurred.

**Criteria:** *Office of Budget and Management (OMB) A-87 time and attendance certification* requires employees that work, in whole or in part, on a Federal program to:

- furnish a semi-annual certification that he/she has been engaged solely in activities supported by the applicable source in accordance with OMB Circular A-87, Attachment B, paragraph 8.h.(3) if the employee works solely on a single cost objective (i.e., a single Federal program whose administrative funds have not been consolidated) or,
- maintain time and effort distribution records in accordance with OMB Circular A-87, Attachment B, paragraph 8.h.(4) documenting the portion of time and effort dedicated to:
  - a. The single cost objective, and
  - b. Each program or other cost objective supported by either consolidated Federal administrative funds or other revenue sources.

**BOARD OF EDUCATION OF BALTIMORE COUNTY, MARYLAND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2006**

**Cause:** While BCPS established a unified process for documenting, reporting and monitoring time and effort, the process was not consistently performed by grant personnel. The grant staff complied with OMB's requirement based on their understanding of the procedures.

**Effect:** BCPS might fail to comply with OMB's allowable cost requirement and/or have unallowed costs charged to the grant.

**Questioned Costs:** None

**Recommendation:** BCPS should review the current modified time and effort procedures to determine if the procedures will ensure consistent compliance with *OMB Circular A-87*.

**Management's Response:** BCPS will review the procedures, make necessary changes and communicate a process to be utilized consistently by all grant personnel.

**Finding No 06-02** Federal property records were incomplete and did not adequately identify the assets.

**Program Effected:** Magnet Schools Assistance Program (MSAP) CFDA# 84.165

**Condition:** We noted that all assets tested were inadequately recorded on the asset report maintained by the grant administrator. The asset report failed to identify the acquisition date for the five assets. The asset report did not identify the serial numbers and vendor for four out of five assets tested.

**Criteria:** *OMB Circular A-102 and A-110* require equipment records to be maintained, a physical inventory of equipment shall be taken at least every two years and reconciled to the equipment records. An appropriate control system should be used to safeguard equipment and equipment records shall be adequately maintained.

**Cause:** The equipment was purchased during the first year of the program prior to the grant manager's establishment of procedures for monitoring federal assets.

**BOARD OF EDUCATION OF BALTIMORE COUNTY, MARYLAND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2006**

**Effect:** Baltimore County Public School is unable to demonstrate its compliance with adequate maintenance of equipment inventory records.

**Questioned Costs:** None

**Recommendation:** BCPS should establish procedures for maintaining federal assets in accordance with *OMB Circular A-102 and A-110*.

**Management's  
Response:**

Grant managers have implemented new equipment inventory procedures to insure that all equipment purchased with grant funds is adequately identified. Additionally, grant managers will do random site inventories to insure that equipment is at the location that is shown on the inventory list.

**Finding No 06-03** Procedures for processing miscellaneous payroll requests and approving employees work hours were not consistently performed

**Programs Effected:** Magnet Schools Assistance Program (MSAP) CFDA# 84.165

**Condition:** Two payroll exception time reports (ETR) were not signed by an authorized employee. One request for miscellaneous payment was processed by the payroll department without adequate approval; while another request was approved for payment without sufficient documentation.

**Criteria:** BCPS's 2005-2006 payroll procedures require the designated timekeeper to review the ETR for accuracy of the employees' name, school/office name and location, employee social security number, employee's illness balance and pay scale. The employees listed on the ETR are required to sign the ETR acknowledging days worked with the appropriate administrator signing the ETR as verification of the employees listed and hours worked.

*OMB Circular A-87 Cost Principles for State, Local, and Indian Tribal Governments*, requires adequate internal controls to ensure that expenditures, covered by Federal funds, are in accordance with program requirements.

**BOARD OF EDUCATION OF BALTIMORE COUNTY, MARYLAND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2006**

**Cause:** Submission and processing of the miscellaneous time reports without sufficient approval or documentation was due to oversight by the staff.

**Effect:** BCPS might charge unallowed cost and activities to the federal grant.

**Questioned Costs:** \$175.00 representing the miscellaneous payment charged to the grant without sufficient documentation of the activity performed.

**Recommendation:** BCPS should inform employees of the payroll documentation procedures and instruct the employees to consistently perform the procedures.

**Management's**

**Response:** BCPS will inform all grant managers of the payroll documentation and approval procedures.

**Finding No 06-04** An employee was not highly qualified to teach the core subject which they taught during the school year.

**Programs Affected:** Magnet Schools Assistance Program (MSAP) CFDA# 84.165

**Condition:** An employee approved by US Department of Education (USDE) to oversee Academy of Health and Human Services was allowed to teach social studies. The employee is not highly qualified in the area in which they taught, nor received prior approval from USDE.

**Criteria:** USDE requires public school elementary and secondary teachers to meet their State's definition of highly qualified for each core academic subject they teach which should include the teacher's ability to provide:

1. A bachelor's degree
2. State certification, as defined by the State
3. Demonstrated competency in the academic subject in which they teach. These subjects include English, reading or language arts, math, science, history, civics and government, geography, economics, the arts and foreign language.

*OMB Circular A-87 Cost Principles for State, Local, and Indian Tribal Governments (c)-(1d)* requires allowable cost to conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.

**BOARD OF EDUCATION OF BALTIMORE COUNTY, MARYLAND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2006**

**Cause:** The employee was approved to oversee the Academy of Health and Human Services; therefore the grant manager assumed that the employee was allowed to teach social studies.

**Effect:** BCPS might be required to pay unallowed cost to the grantor and/or fail to receive future funding. The cost associated with Finding 06-04 was allowed by USDE.

**Questioned Costs:** None

**Recommendation:** Grant administrators should establish procedures to ensure program cost and activities are in accordance with the grant and oversight agencies policies and procedures.

**Management's**

**Response:** Grant administrators will establish procedures to ensure that salary and program costs are in accordance with the grant and oversight agencies policies and procedures related to teaching.

**Finding 06-05:** The review process did not consistently detect erroneous information provided in reports.

**Programs Affected:** Title I CFDA #84.010

**Condition:** We identified 35 out of 50 schools' poverty level calculations were incorrect due to an error in the source data. The recalculated poverty level did not change the ranking order of the schools; therefore the allocation was not impacted.

Four students within 2 of the 3 three private school tested were assigned to the wrong Title I school. Since the incorrectly identified schools were Title I schools the allocation of funds was not impacted.

**Criteria:** No Child left behind Act, Section 1113 for Eligible School Attendance Areas. States that If funds allocated in accordance with subsection (c) are insufficient to serve all eligible school attendance areas, a local educational agency shall — (A) annually rank, without regard to grade spans, such agency's eligible school attendance areas in which the concentration of children from low-income families exceeds 75 percent from highest to lowest according to the percentage of children from low-income families; and (B) serve such eligible school attendance areas in rank order.

**BOARD OF EDUCATION OF BALTIMORE COUNTY, MARYLAND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2006**

Elementary and Secondary Education Act (ESEA), as amended by the No Child Left Behind Act (NCLB) Section 1120 of Title I, Part A, requires a participating LEA to provide eligible children attending private elementary and secondary schools, their teachers, and their families with Title I services or other benefits that are equitable to those provided to eligible public school children, their teachers, and their families.

USDE requires the *State ESEA to submit a Title I Participation Summary Report*. *The report* summarizes the participation data for the Title I, Part A, Grants to Local Education Agencies (LEAs) program.

**Cause:** During the preparation of the poverty level funding allocations, final enrollment data was not used. Additionally, input errors were made in compiling the private school data.

**Effect:** BCPS may inaccurately determine a school's eligibility and/or allocation of funds. BCPS may not provide equitable services to non-public schools based on inaccurate data and allocation calculation.

**Questioned Costs:** None

**Recommendation:** BCPS should review Title I's process for determining eligibility and allocation of funds in accordance with grant requirements.

**Management's Response:** The review of this data was not sufficient to determine errors. The Title I office has implemented a tiered review process for all eligibility and allocation of funding calculations. This process should ensure that eligibility and allocations of funds are made in accordance with Title I grant requirements.

**BOARD OF EDUCATION OF BALTIMORE COUNTY, MARYLAND**  
**PRIOR YEAR FINDINGS**  
**June 30, 2006**

***Finding 05-01***      **Lack of time and effort reporting for cost charged to federal programs (a similar finding was noted in FY 2004 as item number 04-03).** Of the 58 payroll transactions tested for the Title I program, two individuals did not prepare the required effort certification reports. In addition, two individuals incorrectly prepared semi-annual certifications instead of PARS.

**Current Status:**      We reviewed the Board's modified time and effort procedures and performed test of controls and compliance based on the procedures. We noted that all tested grant employees were maintaining time and effort documentation. Finding 06-01 relates to the current year test results.

**Conclusion:**      The procedures for time and effort reporting were not consistently followed by the grant managers..

***Finding 05-02***      **Eligibility determination not in accordance with program requirements.** The Board had 5 schools operating as targeted assistance programs. Of the 2,319 students determined as eligible, 459 were identified as failing, or most at risk of failing, based on the criteria established by Title I Section 1115 of the Elementary and Secondary Education Act (ESEA).

**Current Status:**      Title I program was selected as a major program for fiscal year 06. We tested the eligibility of students receiving Title I services in targeted assistance schools. Using the criteria established by Title I Section 1115 of the Elementary and Secondary Education Act (ESEA) we noted that the students met the established criteria.

**Conclusion:**      The Board met the compliance requirement, no additional testing required. Resolved.

**BOARD OF EDUCATION OF BALTIMORE COUNTY, MARYLAND**  
**PRIOR YEAR FINDINGS**  
**June 30, 2006**

***Finding 05-03***      **Inaccurate information submitted on the comparability report (a similar finding was noted in FY 2004 as item number 04-12).** Information used to prepare the Comparability Report was not adequately supported by the documentation. 25 of the 42 records did not agree to the enrollment data used for the report.

**Current Status:**      Title I program was selected as a major program for fiscal year 06. We tested the Comparability Report and the supporting documentation used to create the report. We noted that the report was accurate and agreed to the supporting documentation.

**Conclusion:**      The Board met the compliance requirement, no additional testing required.

***Finding 05-04***      **Teachers not meeting the definition of Highly Qualified (a similar finding was noted in FY 2004 as item number 04-11).** Of the 40 teachers and paraprofessionals files selected for testing, 2 teacher files did not contain supporting documentation for compliance with the Highly Qualified requirement.

**Current Status:**      On August 15, 2006, United States Department of Education (USDE) notified the Board that the June 30, 2006 deadline for meeting the Highly Qualified requirement was extended until June 30, 2007.

**Conclusion:**      In lieu of the extension, no findings were noted in regards to Highly Qualified teachers.

***Finding 05-05/05-06***      **Inaccurate data submitted on the SSIS verification report (a similar finding was noted in FY 2004 as item number 04-08).** **Inaccurate data submitted on the SSIS exit verification report (a similar finding was noted in FY 2004 as item number 04-09).** Testing for the SSIS Verification report identified inaccurate data for 10 of the 30 students selected. Testing for the SSIS Exit report identified various inaccuracies due to the Board's lack of a single data source to ensure accuracy of information.

**BOARD OF EDUCATION OF BALTIMORE COUNTY, MARYLAND**  
**PRIOR YEAR FINDINGS**  
**June 30, 2006**

**Current Status:** The Special Education Cluster was selected as a major program for fiscal year 2006. We performed test of controls and compliance for the SSIS Verification and Exit Report. The students' data was accurately reflected on the SSIS reports and adequately supported by documentation in the student's school file.

**Conclusion:** The Board met the requirement, no additional testing required. Resolved.

*Finding 05-07*      **Inaccurate data submitted on the Annual Financial Report.** Amounts entered into the MSDE Grants AFR System for fiscal year 2004 AFR-FS did not agree with the classification and amounts submitted to the office of Accounting.

**Current Status:** We reviewed the AFR for fiscal year 2006 and compared to BCPS's general ledger. The information reported on the AFR was accurately stated.

**Conclusion:** The information was correctly reported on the AFR report. Resolved.