

**BOARD OF EDUCATION OF  
CARROLL COUNTY, MARYLAND  
Carroll County, Maryland**

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

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**Independent Auditor's Report on Internal Control  
Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

Members of the Board of  
Education of Carroll County  
Westminster, Maryland

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of Carroll County (the Board) as of and for the year ended June 30, 2010, which collectively comprise the Board's basic financial statements and have issued our report thereon dated September 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2010-01 to be a material weakness in internal control over financial reporting.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However,

providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Board of Education of Carroll County in a separate letter dated September 30, 2010.

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

This report is intended solely for the information and use of the Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Clifton Gunderson LLP*

Baltimore, Maryland  
September 30, 2010

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

Members of the Board of  
Education of Carroll County  
Westminster, Maryland

### **Compliance**

We have audited the compliance of the Board of Education of Carroll County (the Board) 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 its major federal programs for the year ended June 30, 2010. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

### **Internal Control Over Compliance**

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Board's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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.

### **Schedule of Expenditure of Federal Awards**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board as of and for the years ended June 30, 2010 and have issued our report thereon dated September 30, 2010. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Board's basic financial statements. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2010 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 management, audit committee, 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  
December 3, 2010, except for the Schedule  
of Expenditures of Federal Awards which  
is dated September 30, 2010

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2010**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	CFDA Number	Grant Number	Federal Expenditures
<b>U.S. Department of Education</b>			
Direct Programs:			
Safe and Drug-Free Schools and Communities - National Programs	84.184	Q184B080025	\$ 142,561
Passed through Maryland State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	104794-01	1,039,153
Title I Grants to Local Educational Agencies	84.010	900625-01	209,849
Title I Grants to Local Educational Agencies	84.010	105873-01	1,900
Title I Grants to Local Educational Agencies	84.010	901863-01	2,573
			<u>1,253,474</u>
Special Education Cluster			
Special Education - Grants to States	84.027	104219-01	4,605,545
Special Education - Grants to States	84.027	104711-01	84,982
Special Education - Grants to States	84.027	104707-01	144,945
Special Education - Grants to States	84.027	104740-01	50,000
Special Education - Grants to States	84.027	900634-01	1,334
Special Education - Grants to States	84.027	104219-12	20,852
Special Education - Grants to States	84.027	104219-13	9,843
Special Education - Grants to States	84.027	105806-01	3,542
Special Education - Grants to States	84.027	104219-09	68,105
Special Education - Grants to States	84.027	104709-01	22,850
Special Education - Grants to States	84.027	800183-01	120
Special Education - Grants to States	84.027	900315-01	24,515
Special Education - Grants to States	84.027	104708-01	42,070
Special Education - Grants to States	84.027	900633-01	1,875
Special Education - Grants to States	84.027	104411-01	16,278
Special Education - Grants to States	84.027	104710-01	120,000
Special Education - Grants to States	84.027	104377-02	28,879
Special Education - Grants to States	84.027	900478-02	770
Special Education - Grants to States	84.027	104219-07	2,398
Special Education - Grants to States	84.027	104877-01	72,934
Special Education - Grants to States	84.027	900286-01	681
Special Education - Grants to States	84.027	900302-01	233,441
Special Education - Grants to States	84.027	104219-08	6,000
Special Education - Grants to States	84.027	104388-01	121,471
Special Education - Grants to States	84.027	104219-02	812,743
Special Education - Preschool Grants	84.173	104219-10	144,472
Special Education - Preschool Grants	84.173	104219-11	25,495
Special Education - Preschool Grants	84.173	104377-03	7,000
Special Education - Preschool Grants	84.173	901267-02	11,370
Special Education - Preschool Grants	84.173	104822-02	23,811
Special Education Grants to States - ARRA	84.391	104503-01	1,535,759
Special Education Grants to States - ARRA	84.391	104503-02	369,066
			<u>8,613,147</u>

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2010**  
(Continued)

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	CFDA Number	Grant Number	Federal Expenditures
<b>U.S. Department of Education (Continued)</b>			
Passed through Maryland State Department of Education: (Continued)			
Career and Technical Education - Grants to States	84.048	105604-01	\$ 172,211
Career and Technical Education - Grants to States	84.048	104937-02	64,879
Career and Technical Education - Grants to States	84.048	105581-01	<u>17,648</u>
			<u>254,738</u>
Grants for Infants and Families Cluster			
Special Education - Grants for Infants and Families	84.181	104377-01	170,365
Special Education - Grants for Infants and Families - ARRA	84.393	104637-01	79,034
Special Education - Grants for Infants and Families - ARRA	84.393	104637-02	<u>17,628</u>
			<u>267,026</u>
Safe and Drug-Free Schools and Communities - State Grants			
Safe and Drug-Free Schools and Communities - State Grants	84.186	800401-01	13,360
Safe and Drug-Free Schools and Communities - State Grants	84.186	900415-02	11,030
Safe and Drug-Free Schools and Communities - State Grants	84.186	104287-01	<u>1,781</u>
			<u>26,172</u>
Rehabilitation Services Demonstration and Training Programs			
Rehabilitation Services Demonstration and Training Programs	84.235	802134-01	35,753
Rehabilitation Services Demonstration and Training Programs	84.235	104680-01	<u>67,003</u>
			<u>102,756</u>
Tech-Prep Education			
Tech-Prep Education	84.243	105604-02	<u>19,422</u>
Education Technology State Grants			
Education Technology State Grants	84.318	800950-01	1,686
Education Technology State Grants	84.318	900806-01	10,225
Education Technology State Grants	84.318	via Montgomery Co.	1,869
Education Technology State Grants	84.318	105017-01	7,303
Education Technology State Grants	84.318	via Montgomery Co.	7,125
Education Technology State Grants	84.318	via Montgomery Co.	<u>7,777</u>
			<u>35,985</u>
English Language Acquisition Grants			
English Language Acquisition Grants	84.365	104619-02	135
English Language Acquisition Grants	84.365	104619-01	20,743
English Language Acquisition Grants	84.365	800569-01	19
English Language Acquisition Grants	84.365	900542-01	12,417
English Language Acquisition Grants	84.365	105941-01	<u>708</u>
			<u>34,022</u>
Improving Teacher Quality State Grants			
Improving Teacher Quality State Grants	84.367	900578-01	265,744
Improving Teacher Quality State Grants	84.367	104596-01	<u>437,114</u>
			<u>702,858</u>
Education for Homeless Children and Youth - ARRA			
Education for Homeless Children and Youth - ARRA	84.387	104862-01	<u>20,629</u>



**BOARD OF EDUCATION OF CARROLL COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2010**  
(Continued)

<b>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</b>	<b>CFDA Number</b>	<b>Grant Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Education (Continued)</b>			
Passed through Maryland State Department of Education: (Continued)			
State Fiscal Stabilization Fund (SFSF) - Education State Grants - ARRA	84.394	104336-01	\$ 1,021,112
State Fiscal Stabilization Fund (SFSF) - Education State Grants - ARRA	84.394	104336-02	241,277
State Fiscal Stabilization Fund (SFSF) - Education State Grants - ARRA	84.394	104336-03	284,433
State Fiscal Stabilization Fund (SFSF) - Education State Grants - ARRA	84.394	104336-04	21,488
State Fiscal Stabilization Fund (SFSF) - Education State Grants - ARRA	84.394	104336-05	<u>633,281</u>
			<u>2,201,591</u>
Total U.S. Department of Education			<u>13,674,382</u>
<b>U.S. Department of Agriculture</b>			
Direct Programs:			
Cooperative Extension Service	10.500	2005-45201-03329	<u>1,989</u>
Passed through Maryland State Department of Education:			
Child Nutrition Cluster			
School Breakfast Program	10.553	n/a	262,784
National School Lunch Program	10.555	n/a	<u>1,970,224</u>
			<u>2,233,008</u>
Total U.S. Department of Agriculture			<u>2,234,997</u>
<b>U.S. Department of Health and Human Services</b>			
Passed through the Maryland State Department of Education:			
Preventive Health and Health Services Block Grant	93.991	105622-01	3,605
Preventive Health and Health Services Block Grant	93.991	901889-01	<u>1,933</u>
Total U.S. Department of Health and Human Services			<u>5,537</u>
<b>U.S. Corporation for National and Community Service</b>			
Passed through the Maryland State Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	900764-03	37,846
Learn and Serve America - School and Community Based Programs	94.004	104355-01	35,000
Learn and Serve America - School and Community Based Programs	94.004	105731-01	<u>14,525</u>
Total U.S. Corporation for National and Community Service			<u>87,371</u>

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2010**  
(Continued)

<u>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Homeland Security</b>			
Passed through the Maryland Department of the Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PW #PA-03-MD- 1910-PW-00066	\$ <u>57,138</u>
Total U.S. Department of Homeland Security			<u>57,138</u>
<b>Total Federal Expenditures</b>			<u>\$ 16,059,425</u>

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Board of Education of Carroll County for the year ended June 30, 2010.

**Basis of Accounting**

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

**NOTE 2 – RELATION TO FINANCIAL STATEMENTS AND FEDERAL FINANCIAL REPORTS**

The following schedule reconciles the amounts per the financial statements to the amounts per the Schedule of Expenditures of Federal Awards for the year ended June 30, 2010:

	<b>Governmental Funds</b>
<b>REVENUE</b>	
<b>BALANCE PER FINANCIAL STATEMENTS</b>	
Federal revenues	\$ 16,955,878
<b>PLUS</b>	
Miscellaneous adjustments	33,459
<b>LESS</b>	
USDA commodities received but not used	(54,521)
Medical assistance revenue	(875,391)
<b>TOTAL PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	<b>\$ 16,059,425</b>

**BOARD OF EDUCATION OF CARROLL COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	<u>X</u>	Yes	___	No
Significant deficiency(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
Significant deficiency(s) identified that are not considered to be material weaknesses	___	Yes	<u>X</u>	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?	___	Yes	<u>X</u>	No
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**Identification of Major Programs:**

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.173, 84.391 84.394 84.181, 84.393	Special Education Cluster State Fiscal Stabilization Grants for Infants and Families Cluster

Dollar threshold used to distinguish between type A and type B programs	<u>\$ 481,783</u>
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Auditee qualified as low-risk auditee?	<u>X</u>	Yes	___	No
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**BOARD OF EDUCATION OF CARROLL COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

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

A. Material Weaknesses in Internal Control

**Finding 2010-01      Prior Period Adjustment – Construction in Progress**

**Condition:** Additions to construction in progress were previously recorded based on budgeted amounts instead of the full accrual method of accounting as required under GASB No. 34. This resulted in construction in progress being materially overstated as of June 30, 2009. To adjust beginning net assets a material adjustment was necessary to properly correct the error.

**Recommendation:** We recommend the Board review and revise its current procedures to ensure expenditures related to construction in progress are properly recorded in accordance with GASB No. 34.

**Management's  
Response:**

The Board focuses on the budgetary basis of accounting for monthly, quarterly and annual internal reporting. Financial statements prepared in accordance with GAAP and GASB pronouncements, while important, are secondary to the daily management functions and are only prepared on an annual basis. We will review our current procedures for the determination of construction in progress amounts to ensure that only costs incurred are included in the financial report.

B. Compliance Findings

None.

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

A. Significant Deficiencies in Internal Control

None.

B. Compliance Findings

None.

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
**Year Ended June 30, 2010**

**Finding Number:** 09-01

**Federal Program(s):** 84.027, 84.173 Special Education Cluster  
84.287 Twenty-First Century Community Learning Centers

**Condition:** The Board of Education of Carroll County (the Board) did not properly verify that vendors were not suspended or debarred from receiving federal funds.

**Recommendation:** We recommend that the Board implement policies and procedures to ensure that the required suspension and debarment verifications are performed for vendors with contracts that are expected to equal or exceed the \$25,000 threshold. In addition, we also recommend that the Board review all currently open vendor contracts to ensure that vendors are not included on the EPLS as suspended or debarred.

**Current Year Status:** Fully Corrected – The Purchasing Department has designed a procedure to review any potential bid award vendor’s status for suspension, debarment, or other exclusion prior to recommendation to the Board of Education for bid award when federal funds are used to pay the expenditures related to the bid award. No internal control or compliance exceptions were identified as part of the audit procedures performed in the current year.