

MEMORANDUM

March 15, 2016

TO: Audit Committee

FROM:  Leslie Rubin, Senior Legislative Analyst
 Stephanie Bryant, Legislative Analyst
Office of Legislative Oversight

SUBJECT: Review of Results from FY15 External Audit

On March 17th, the Audit Committee will receive a briefing from CliftonLarsonAllen LLP (CLA), the County Government's independent auditor, and Executive Branch staff on the results of the audits of the County Government's FY15 financial statements and the financial statements of the County Government's retirement plans, and other audit-related work.

The table below identifies staff from the independent auditor and County Government representatives scheduled to attend the briefing.

Organization	Representative
CliftonLarsonAllen LLP	Keith Novak, Principal
Department of Finance	Joseph Beach, Director
	Karen Hawkins, Chief Operating Officer
	Lenny Moore, Controller
	Kim Williams, General Accounting Manager
Mauricio Delgado, Grants Manager	
Montgomery County Employee Retirement Plans	Linda Herman, Executive Director
Department of Technology Services	Keith Young, Enterprise Information Security Officer

A. External Audit Findings

Each year, an external certified public accounting firm performs audit work required by the County Charter and the County Code. The auditor's engagement is made up of several components. The primary components are listed on the next page.

1	Audit of the Financial Statements of the:	<ul style="list-style-type: none"> • County Government • Montgomery County Employee Retirement Plans • Montgomery County Union Employees Deferred Compensation Plan
2	Single Audit	Examination and review of information and transactions related to the County Government's spending of federal funds
3	Agreed-Upon Procedures related to:	<ul style="list-style-type: none"> • The County Government's preparation of a report to the National Transit Database • The County Government's certification of information required by the Federal Environmental Protection Agency related to local solid waste landfill facilities
4	Maryland 9-1-1 Emergency Number Systems Program of Montgomery County	Audit of the Schedule of Maintenance and Operating Revenue and Expenditures

CliftonLarsonAllen will complete the following two items in the coming months:

- The audit of the financial statements of the Montgomery County Union Employees Deferred Compensation Plan (MCUEDCP), and
- Work related to the agreed-upon procedures for the National Transit Database.

The MCUEDCP closes its books on December 31st each year. Consequently, the information required to complete the audit work is not available until the beginning of the calendar year. When these two items are complete, OLO will forward the findings to the Audit Committee with an explanatory cover memo.

CliftonLarsonAllen also issued letters with information about the process for auditing the County Government financial statements and the financial statements of the Montgomery County Employee Retirement Plans. Copies of these letters are available from OLO upon request.

Definition of Audit-Related Terms. CliftonLarsonAllen's findings include terminology that auditors use to report their findings.¹ These terms, which have specific meanings, are explained below. A control deficiency represents the lowest degree of risk to the County, and a material weakness the greatest.

- **Control Deficiency** – 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.
- **Significant Deficiency** – A deficiency, or 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.
- **Material Weakness** – A deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

¹ To report their findings, auditors use a classification structure found in Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters Identified in an Audit*.

1. FY15 Audit of the County Government Financial Statements

CliftonLarsonAllen audited the basic financial statements of the County Government and issued two reports and a Management Letter summarizing its findings. For a third year, CLA did not identify any significant deficiencies or material weaknesses related to the audit of the County Government’s financial statements.

Independent Auditor’s Report. CliftonLarsonAllen issued an *Internal Auditor’s Report*, bound in the County Government’s FY2015 Comprehensive Annual Financial Report. This report states that CliftonLarsonAllen found that the County Government’s financial statements present fairly, in all material respects, the financial position of the County Government. See ©1.

Report on Internal Control. The *Report on Internal Control Over Financial Reporting* identifies any significant deficiencies or material weaknesses identified by CliftonLarsonAllen. For FY15, CliftonLarsonAllen did not identify any material weaknesses or significant deficiencies related to its audit of the County Government’s financial statements. The *Report on Internal Control* is bound in the County’s *Report on Single Audit* – the review of the County’s use of federal funds in FY15 (described below on page 4 of this memo). See ©3.

Management Letter. CliftonLarsonAllen issues a Management Letter if it identifies matters that it wants to bring to the attention of management, but the matters do not rise to the level of significant deficiencies or material weaknesses. CliftonLarsonAllen identified four matters for attention related to the FY15 audit work. The matters are reproduced below along with the Executive’s formal response. See ©5 for the Management Letter. See ©7 for the Executive’s response.

Summary of CliftonLarsonAllen’s FY15 Management Letter Comments and Executive’s Response

Management Letter Comment	Executive’s Response
<p>Information Technology – Logical Access</p> <p>Administration Account Validation – Network Layer. Group membership for the domain administration accounts is quite large. We recommend that the County evaluate domain administration account membership as part of an overall clean up. We also recommend that domain administration account membership be reviewed on a periodic basis.</p>	<p>The County concurs with this recommendation. The County reviews the group memberships of administrators, including domain administrators to confirm business needs and limit access to an as needed basis, at least annually. The County will review all accounts, including service accounts, with domain administrator rights and remove domain administrator rights where it is no longer needed by the end of FY2016.</p>
<p>Information Technology – Logical Access</p> <p>Terminated Users: Several terminated employees retained access to the network layer after their termination date. We recommend that the County continue with the implementation of an automated removal process through linkage of network and application layer deactivation.</p>	<p>The County concurs with this recommendation. The County is planning to further improve access management by automating the removal of employee network access at the time of termination in Oracle. Partial automation implementation is scheduled in December 2015; full automation target is the first half of 2016.</p>

Summary of CliftonLarsonAllen's FY15 Management Letter Comments and Executive's Response (cont.)

Management Letter Comment	Executive's Response
<p>Information Technology – Change Control</p> <p>Separation of Duties over Development and Production Access. The duties related to developing and implementing changes to Oracle EBS are not adequately segregated. Several users have the ability to both develop changes and implement changes in production. We recommend management implement a rule in Oracle EBS which does not allow someone who has developed a change to promote it to production.</p>	<p>The County partially concurs with this recommendation. The County has reviewed the functionality for the admins and Super Users in development and production. Based on our current staffing, it is not feasible for the ERP team to be totally separated between environments. We have replaced nearly all of the Super User responsibilities with Power User responsibilities that have less functionality in production.</p> <p>We currently do not have the ability to implement a rule in Oracle which prevents a user from developing in production if that same user developed in a development environment. We are implementing a new documented policy that will provide for a separation of duties between environments and require the use of SVN for all development, technical and functional. This new policy will be implemented during 2016.</p>
<p>Encumbrances</p> <p>The County process for closing out encumbrances allows them to be manually closed without removal or cancellation within Oracle. This is primarily done for projects where costs may come after a project is formally closed. We noted closed, but not cancelled, encumbrances and purchase orders from fiscal years 2011 through 2015. Failure to properly cancel these items in Oracles does not allow for budgetary funds to be reallocated to other programs and projects. We recommend that management review current policies and procedures for closing and cancelling encumbrances and purchase orders to ensure that they are properly cancelled within the Oracle system in a timely manner. These should include a periodic review of encumbrances and purchase orders which have been manually closed but not cancelled within Oracle.</p>	<p>The County concurs with this recommendation. As the auditors have indicated, manually closing POs without liquidating any remaining balance allows the County to process invoices that may not have been paid by the date at which a procurement or contract has expired. During FY16, the County intends to implement a periodic review of annually closed POs, no less than annually, to ensure they are finally closed by liquidating their remaining balances in a timely manner and, thereby, improve year-end encumbrance reporting. The County has performed such a review for manually closed POs with remaining balances as of June 30, 2015 and have finally closed by liquidating remaining balances the ones no longer needed.</p>

2. FY15 Audit of the Montgomery County Employee Retirement Plans

CliftonLarsonAllen audited the financial statements of the Montgomery County Employee Retirement Plans for the year ended June 30, 2015. In an *Independent Auditors' Report* bound in the Retirement Plans' CAFR, the auditors state that the financial statements present fairly, in all material respects, the net position of the Plans and changes in financial position for FY15. See ©11. CliftonLarsonAllen issued a *Report on Internal Control Over Financial Reporting* stating that it did not identify any significant deficiencies or material weaknesses related to its audit of the Retirement Plans' financial statements. See ©13. CLA did not issue a Management Letter for the Retirement Plans.

3. Federal Single Audit

The Federal Single Audit (also referred to as the OMB A-133 Audit) is a federally-mandated audit, typically performed by a certified public accounting firm, for entities that expend \$500,000 or more in federal funds in a year. As part of the Council's contract for audit services, the external auditor performs this work annually for the County Government. The findings from this audit work are compiled in the County Government's *Report on Single Audit*, prepared annually by the Department of Finance. See ©15.

In FY15, the County expended \$112.4 million in federal funds. CliftonLarsonAllen performed testing on County Government spending related to eight federal programs. In its *Independent Auditor's Report on Compliance* related specifically to the County Government's expenditure of federal funds in FY15, CliftonLarsonAllen identified one significant deficiency in internal control. ©20.

In this context, a significant deficiency means:

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.

CliftonLarsonAllen found that the County failed to meet a 45-day time frame for processing applications for the federal Low Income Home Energy Assistance program in 18 of 40 applications reviewed by the auditor. CLA did not make any findings related to the County Government's expenditure of federal funds. The *Report on Single Audit* includes an official response from the County describing procedure changes that have already been enacted to improve the application process. ©29-30. The auditor will review this finding in next year's audit to determine if the issue has been resolved.

4. Other Audit Work

The subsections below summarize CliftonLarsonAllen's findings from other audit work performed and completed this year. As indicated on page 2, CLA will complete two additional pieces of the audit related work in the near future. When CLA completes the work, OLO will forward the audit results to the Committee with an explanatory cover memo.

a. Agreed-Upon Procedures – Related to the Annual Certification of Financial Assurance Mechanisms for Local Government Owners and Operators of Municipal Solid Waste Landfill Facilities

These agreed-upon procedures² are related to an assessment of the County Government's compliance with Federal financial assurance criteria related to local government-owned and -operated solid waste landfills. CliftonLarsonAllen found no exceptions as a result of the procedures they performed. See ©32.

b. Maryland 9-1-1 Emergency Number Systems Program – Schedule of Maintenance and Operating Revenues and Expenses

CliftonLarsonAllen audited the Schedule of Maintenance and Operating Revenue and Expenditures of the Maryland 9-1-1 Emergency Number Systems Program of Montgomery County (the Program) for the year ended June 30, 2015. The auditor found that the Schedule presents fairly, in all material respects, the revenue and expenditures of the Program for the year ended June 30, 2015. See ©36.

² For the agreed-upon procedures work, the auditor performs procedures agreed to by County Government management.

The following documents are attached.

	Begins on
Audit of the County Government's FY15 Financial Statements	
Independent Auditor's Report	©1
Report on Internal Control	©3
FY15 Management Letter	©5
Executive Branch Response to the FY15 Management Letter	©7
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Audit of the FY15 Financial Statements of the Montgomery County Employee Retirement Plans	
Independent Auditor's Report	©11
Report on Internal Control	©13
<hr/>	
FY15 Federal Single Audit	
Report on Single Audit	©15
<hr/>	
Other FY15 Audit Work	
Landfill Closure and Post-Closure Costs – Independent Accountant's Report on Agreed-Upon Procedures	©32
Maryland 9-1-1 Emergency Number Systems Program – Schedule of Maintenance and Operating Revenues and Expenditures	©36



CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAAconnect.com

INDEPENDENT AUDITORS' REPORT

The Honorable County Council
of Montgomery County, Maryland

Report on the Financial Statements

We have audited the accompanying 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 Montgomery County, Maryland (the County), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Montgomery County Revenue Authority and Bethesda Urban Partnership, Inc., which represent 16 percent, 6 percent, and 6 percent, respectively, of the assets, net position and revenues of the non-major component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Montgomery County Revenue Authority and Bethesda Urban Partnership, Inc., is based solely on the report of the other auditors. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Bethesda Urban Partnership, Inc. were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Montgomery County, Maryland as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

During the fiscal year ended June 30, 2015, the County adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. As a result of the implementation of these standards, the County reported a restatement for change in accounting principle (See Note I). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 25 and the budgetary comparison information for the general, housing initiative and grants funds, the Consolidated Retiree Health Benefits Trust, Employees' Retirement System, Maryland State Retirement and Pension System, and the notes to required supplementary information on pages 131 through 146 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

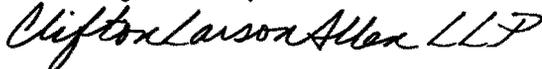
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund financial statements and supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and supplementary schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 by us and other auditors. In our opinion, based on our audit, the procedures described above, and the report of the other auditors, the combining and individual fund financial statements and supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2015, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
December 16, 2015



CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAAconnect.com

**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***

The Honorable County Council
of Montgomery County, Maryland
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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Montgomery County, Maryland (the County), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 16, 2015. The County's financial statements include the financial statements of the Montgomery County Public Schools, Montgomery County Community College, Housing Opportunities Commission of Montgomery County, Montgomery County Revenue Authority and the Bethesda Urban Partnership, Inc. as described in our report on the County's financial statements. Our audit described below did not include operations of these entities because these entities engaged for their own separate audit in accordance with *Government Audit Standards* and Bethesda Urban Partnership was not audited in accordance with *Government Audit Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County'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.

The Honorable County Council
of Montgomery County, Maryland

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 the County'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 the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Baltimore, Maryland
December 16, 2015



CliftonLarsonAllen LLP
www.CLAconnect.com

The Honorable County Council
of Montgomery County, Maryland
Rockville, Maryland

In planning and performing our audit of the financial statements of Montgomery County, Maryland (the County) as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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 County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and other matters that are opportunities to strengthen your internal control and improve the efficiency of your operations. Our comments and suggestions regarding those matters are summarized below. We previously provided a written communication dated December 16, 2015, on the County's internal control. This letter does not affect our communication dated December 16, 2015.

INFORMATION TECHNOLOGY

Logical Access

Administration Account Validation - Network Layer

Group membership for the domain administration accounts is quite large. We recommend that the County evaluate domain administration account membership as part of an overall clean up. We also recommend that domain administration account membership be reviewed on a periodic basis.

Terminated Users

Several terminated employees retained access to the network layer after their termination date. We recommend that the County continue with the implementation of an automated removal process through linkage of network and application layer deactivation.

Change Control

Separation of Duties over Development and Production Access

The duties related to developing and implementing changes to Oracle EBS are not adequately segregated. Several users have the ability to both develop changes and implement changes in production. We recommend management implement a rule in Oracle EBS which does not allow someone who has developed a change to promote it to production.

ENCUMBRANCES

The County process for closing out encumbrances allows them to be manually closed without removal or cancellation within Oracle. This is primarily done for projects where costs may come after a project is formally closed. We noted closed, but not cancelled, encumbrances and purchase orders from fiscal years 2011 through 2015. Failure to properly cancel these items in Oracle does not allow for budgetary funds to be reallocated to other programs and projects. We recommend that management review current policies and procedures for closing and cancelling encumbrances and purchase orders to ensure that they are properly cancelled within the Oracle system in a timely manner. These should include a periodic review of encumbrances and purchase orders which have been manually closed but not cancelled within Oracle.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various County personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of County Council, 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.



CliftonLarsonAllen LLP

Baltimore, Maryland
December 16, 2015



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OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

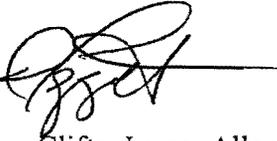
Isiah Leggett
County Executive

MEMORANDUM

RECEIVED
MONTGOMERY COUNTY
COUNCIL

March 3, 2016

TO: Nancy Floreen, Council President

FROM: Isiah Leggett, County Executive 

SUBJECT: Response to Management Letter from CliftonLarsonAllen LLP for the Fiscal Year Ended June 30, 2015

Attached please find the Executive Branch's formal response to the management letter referenced above which you requested in your memorandum of February 22, 2016.

We look forward to discussing the recommendations, and the County's progress in implementing improvements, with the Audit Committee on March 17. If you or your staff have any questions prior to that date, please contact Joseph F. Beach, Director, Department of Finance, at 240-777-8870.

IL:sg

Attachment

cc: Timothy Firestine, Chief Administrative Officer
Joseph F. Beach, Director, Department of Finance
Jennifer A. Hughes, Director, Office of Management and Budget
Bonnie Kirkland, Assistant Chief Administrative Officer
Sonny Segal, Chief Information Officer, Department of Technology Services
Dieter Klinger, Chief Operating Officer, Department of Technology Services
Steve Farber, Council Administrator
Lenny Moore, Controller, Department of Finance
Kimberly Williams, General Accounting Manager, Department of Finance

**County Response to Management Letter
For the Audit of County Government Financial Statements
For the Fiscal Year Ended June 30, 2015**

1. INFORMATION TECHNOLOGY – LOGICAL ACCESS

ADMINISTRATION ACCOUNT VALIDATION – NETWORK LAYER

Comment and Suggestion:

Group membership for the domain administration accounts is quite large. We recommend that the County evaluate domain administration account membership as part of an overall clean up. We also recommend that domain administration account membership be reviewed on a periodic basis.

Response:

The County concurs with this recommendation. The County reviews the group memberships of administrators, including domain administrators to confirm business needs and limit access to an as needed basis, at least annually. The County will review all accounts, including service accounts, with domain administrator rights and remove domain administrator rights where it is no longer needed by the end of FY2016.

2. INFORMATION TECHNOLOGY — LOGICAL ACCESS

TERMINATED USERS

Comment and Suggestion:

Several terminated employees retained access to the network layer after their termination date. We recommend that the County continue with the implementation of an automated removal process through linkage of network and application layer deactivation.

Response:

The County concurs with this recommendation. The County is planning to further improve access management by automating the removal of employee network access at the time of termination in Oracle. Partial automation implementation is scheduled in December 2015; full automation target is the first half of 2016.

3. INFORMATION TECHNOLOGY – CHANGE CONTROL

SEPARATION OF DUTIES OVER DEVELOPMENT AND PRODUCTION ACCESS

Comment and Suggestion:

The duties related to developing and implementing changes to Oracle EBS are not adequately segregated. Several users have the ability to both develop changes and implement changes in production. We recommend management implement a rule in Oracle EBS which does not allow someone who has developed a change to promote it to production.

Response:

The County partially concurs with this recommendation. The County has reviewed the functionality for the admins and Super Users in development and production. Based on our current staffing, it is not feasible for the ERP team to be totally separated between environments. We have replaced nearly all of the Super User responsibilities with Power User responsibilities that have less functionality in production.

We currently do not have the ability to implement a rule in Oracle which prevents a user from developing in production if that same user developed in a development environment. We are implementing a new documented policy that will provide for a separation of duties between environments and require the use of SVN for all development, technical and functional. This new policy will be implemented during FY16.

4. ENCUMBRANCES

Comment and Suggestion:

The County process for closing out encumbrances allows them to be manually closed without removal or cancellation within Oracle. This is primarily done for projects where costs may come after a project is formally closed. We noted closed, but not cancelled, encumbrances and purchase orders from fiscal years 2011 through 2015. Failure to properly cancel these items in Oracle does not allow for budgetary funds to be reallocated to other programs and projects. We recommend that management review current policies and procedures for closing and cancelling encumbrances and purchase orders to ensure that they are properly cancelled within the Oracle system in a timely manner. These should include a periodic review of encumbrances and purchase orders which have been manually closed but not cancelled within Oracle.

Response:

The County concurs with this recommendation. As the auditors have indicated, manually closing POs without liquidating any remaining balance allows the County to process invoices that may not have been paid by the date at which a procurement or contract has

expired. During FY16, the County intends to implement a periodic review of manually closed POs, no less than annually, to ensure they are finally closed by liquidating their remaining balance in a timely manner and, thereby, improve year-end encumbrance reporting. The County has performed such a review for manually closed POs with remaining balances as of June 30, 2015 and have finally closed by liquidating remaining balances the ones no longer needed.



CliftonLarsonAllen

CliftonLarsonAllen LLP
www.CLAconnect.com

INDEPENDENT AUDITORS' REPORT

The Honorable County Council of Montgomery County, Maryland
Board of Investment Trustees
Montgomery County Employee Retirement Plans
Rockville, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the Montgomery County Employee Retirement Plans (the Plans), which comprise the statements of fiduciary net position as of June 30, 2015, and the related statements of changes in fiduciary net position for the year then ended and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plans as of June 30, 2015, and the respective changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedules of changes in the employers' net pension liability and related ratios, employer contributions and investment returns and related notes, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Plan's financial statements. The schedules of administrative expenses and investment expenses and the statements of fiduciary net position and changes in fiduciary net position for the employees retirement system, retirement savings plan and the deferred compensation plan (supplementary information), as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The introduction, investment, actuarial, and statistical sections, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2015 on our consideration of the Plans' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plans' internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
December 8, 2015



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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**

The Honorable County Council of Montgomery County, Maryland
Board of Investment Trustees
Montgomery County Employee Retirement Plans

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 Montgomery County Employee Retirement Plans (the Plans), as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated December 8, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plans' 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 the Plans' internal control. Accordingly, we do not express an opinion on the effectiveness of the Plans' 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 the Plans' 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 the Plans' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plans' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Baltimore, Maryland
December 8, 2015

MONTGOMERY COUNTY, MARYLAND

**REPORT ON SINGLE AUDIT
JUNE 30, 2015**

MONTGOMERY COUNTY, MARYLAND

**REPORT ON SINGLE AUDIT
JUNE 30, 2015**

INDEPENDENT AUDITORS' REPORTS

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 <i>GOVERNMENT AUDITING STANDARDS</i>	1
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	3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	6
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	11
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	12
SCHEDULE OF PRIOR YEAR FINDINGS	15



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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**

The Honorable County Council
of Montgomery County, Maryland
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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Montgomery County, Maryland (the County), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 16, 2015. The County's financial statements include the financial statements of the Montgomery County Public Schools, Montgomery County Community College, Housing Opportunities Commission of Montgomery County, Montgomery County Revenue Authority and the Bethesda Urban Partnership, Inc. as described in our report on the County's financial statements. Our audit described below did not include operations of these entities because these entities engaged for their own separate audit in accordance with *Government Audit Standards* and Bethesda Urban Partnership was not audited in accordance with *Government Audit Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County'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.

The Honorable County Council
of Montgomery County, Maryland

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 the County'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 the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Baltimore, Maryland
December 16, 2015



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**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**

The Honorable County Council
of Montgomery County, Maryland
Rockville, Maryland

Report on Compliance for Each Major Federal Program

We have audited Montgomery County, Maryland's (the County) 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 the County's major federal programs for the year ended June 30, 2015. The County'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 the County'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 the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

The County's financial statements include the operations of the Montgomery County Public Schools, Montgomery Community College, Montgomery County Revenue Authority, Housing Opportunities Commission of Montgomery County and the Bethesda Urban Partnership for the year ended June 30, 2015, component units which may have received federal awards, and which are not included in the schedule of expenditures of federal awards for the year ended June 30, 2015. Our audit described below did not include the operations of these entities. We were separately engaged to perform and have separately reported on the results of our audits of the Montgomery County Public Schools, Housing Opportunities Commission of Montgomery County and Montgomery Community College, in accordance with OMB Circular A-133, if required.

The Honorable County Council
of Montgomery County, Maryland

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 the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County 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, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015-001. Our opinion on each major federal program is not modified with respect to this matter.

The County's' response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

Management of the County 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 the County'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 the County'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be a significant deficiency.

The Honorable County Council
of Montgomery County, Maryland

The County's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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 Montgomery County, Maryland (the County), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated December 16, 2015, 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 County's financial statements include the operations of the Montgomery County Public Schools, Montgomery Community College, Montgomery County Revenue Authority, Housing Opportunities Commission of Montgomery County and the Bethesda Urban Partnership for the year ended June 30, 2015. The federal expenditures, where applicable, for the Montgomery County Public Schools, Montgomery Community College, Housing Opportunities Commission of Montgomery County, Montgomery County Revenue Authority and Bethesda Urban Partnership are not included in the schedule of expenditures of federal awards. 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

Baltimore, Maryland
December 16, 2015

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

Federal Grantor, Pass Through Grantor, Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
U. S. Department of Agriculture			
Pass Through Programs From:			
Maryland State Department of Human Resources			
Programs of the SNAP Cluster:			
State Administrative Matching Grant for Food Stamps	10.561	Md. House Bill 669	6,085,735
Subtotal SNAP Cluster			<u>6,085,735</u>
Total U.S. Department of Agriculture			<u>6,085,735</u>
U.S. Department of Defense - Office of Economic Adjustment			
Direct Programs:			
Maryland Crossing Route 355	12.600	none	1,100,002
Base Realignment and Closure (BRAC)	12.607	RA0625-15-08	31,997
Base Realignment and Closure (BRAC)	12.607	RA0625-14-07	105,134
Total U. S. Department of Defense			<u>1,237,133</u>
U. S. Department of Housing and Urban Development			
Direct Programs:			
Programs of the CDBG - Entitlement Grants Cluster:			
Community Development Block Grant (CDBG)	14.218	none	4,227,394
Subtotal CDBG - Entitlement Grants Cluster			4,227,394
Emergency Solutions Grant Program	14.231	none	314,791
Home Investment Partnerships Program	14.239	none	2,366,191
Balance of 06/30/2014 Outstanding Loans as of 06/30/2015	14.239	none	32,374,639
Subtotal Direct Programs			<u>39,283,014</u>
Pass Through Programs From:			
Maryland State Department of Health and Mental Hygiene			
Housing for People with AIDS (HOPWA)	14.241	AD658HOP	507,703
Subtotal Pass Through Programs			<u>507,703</u>
Direct Programs:			
Continuum of Care Homeless Assistance Competition	14.267	FR-56000-N-41	51,685
Total U. S. Department of Housing and Urban Development			<u>39,842,402</u>
U. S. Department of Justice			
Direct Programs:			
SCAAP - States Alien Assistance Program G.F.	16.606	2014-AP-BX-0632	584,351
COPS Universal Hiring Program	16.710	COPS-UHP-2008-1	96,926
DNA Backlog Reduction	16.741	2013-DN-BX-0045	100,000
DNA Backlog Reduction	16.741	2014-DN-BX-0051	715
Enforcement of Protection Orders Program	16.590	2011-WE-AX-0032	3,714
Second Chance Act Reentry Initiative	16.812	2014-RW-BX-0002	6,458
Subtotal Direct Programs			<u>792,164</u>
Pass Through Programs From:			
Governor's Office of Crime Control and Prevention			
Victims of Crime Assistance Program (VOCA)	16.575	VOCA-2013-1416	25,570
Victims of Crime Assistance Program (VOCA)	16.575	VOCA-2014-1516	188,581
Multicultural Intervention Project for Victims of Child Abuse	16.575	VOCA-2013-1453	56,453
Multicultural Intervention Project for Victims of Child Abuse	16.575	VOCA-2014-1553	175,573
S.T.O.P. Violence Against Women Act	16.588	VAWA-2014-1212	80,000
Protective Order Enforcement	16.588	VAWA-2014-1019	39,578
Lethality Assessment Advocate	16.588	VAWA-2013-1811	4,678
Lethality Assessment Advocate	16.588	VAWA-2014-1911	21,190
U.S. Marshall's Office			
FY14 Regional Fugitive - US MARSHALS	16.595	JLEO-14-0128	5,005
FY15 US MARSHALS	16.595	JLEO-15-0128	16,208
Subtotal Pass Through Programs			<u>592,836</u>

**MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015**

Federal Grantor, Pass Through Grantor, Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
U. S. Department of Justice (continued)			
Justice Assistance Grant (JAG) Cluster:			
Pass Through Programs From:			
Governor's Office of Crime Control and Prevention			
DNA Backlog Outsourcing	16.738	BJAG-2011-0045	35,818
FY13 BJA Grant	16.738	2013-DJ-BX-0495	60,456
FY14 BJA Grant	16.738	2014-DJ-BX-0654	146,084
Cross Border Initiative	16.738	BJAG-2012-0036	14,877
NAPSA Training-LETS	16.738	BJNT-2012-0002	1,764
Crime Laboratory Enhancements	16.742	CFSI-2014-0001	4,133
Maryland Emergency Management Agency (MEMA)			
FY13 BJA Grant	16.738	2012-DJ-BX-1214	185,000
Subtotal Justice Assistance Grant (JAG) Cluster			<u>448,132</u>
Total U. S. Department of Justice			<u>1,833,132</u>
U. S. Department of Labor			
Pass Through Programs From:			
State Department of Labor, Licensing and Regulation			
Programs of the Workforce Investment Act (WIA) Cluster:			
WIA - Adult Program	17.258	P00P5400015-A	81,530
WIA - Adult Program	17.258	POOB4400054-A	440,392
WIA - Adult Program	17.258	P00P5400552-A	614,900
WIA - Youth Programs	17.259	POOB2400013-B	295,917
WIA - Youth Programs	17.259	P00P5400015-B	882,772
WIA - Dislocated Workers	17.278	P00P5400552-C	411,991
WIA - Dislocated Workers	17.278	POOB4400054-C	430,199
WIA - Dislocated Workers	17.278	P00P5400015-C	147,858
Subtotal Workforce Investment Act (WIA) Cluster			<u>3,305,559</u>
Total U. S. Department of Labor			<u>3,305,559</u>
U. S. Department of Transportation			
Pass Through Programs From:			
Metropolitan Washington Council of Governments (COG)			
Programs of the Transit Services Programs Cluster:			
Federal Transit Administration - Bikeshare Program	20.516	DC-37-X024-00	226,688
Subtotal Transit Services Programs Cluster			226,688
Maryland Transit Administration			
Programs of the Federal Transit Cluster:			
RideSharing/Commuter Assistance Grant	20.507	MD-95-CMAQFY15	372,007
Subtotal Federal Transit Cluster			372,007
National Highway Traffic Safety Administration			
Programs of the Highway Safety Cluster:			
FY14 COPS & SHOPS	20.600	GN14-025	7,611
State and Community Highway Safety	20.600	LE-14-089	2,933
Alcohol Open Container Requirements	20.607	LE-15-037	12,760
Subtotal Highway Safety Cluster			<u>23,303</u>
Total U. S. Department of Transportation			<u>621,999</u>
Institute of Museum Library Services			
Pass Through Program From:			
Maryland State Department of Education			
Library Services and Technology Act	45.310	155464-01	625
Total Institute of Museum Library Services			<u>625</u>

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

Federal Grantor, Pass Through Grantor, Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
U. S. Department of Education			
Pass Through Programs From:			
Maryland State Department of Education			
Programs of the Special Education Cluster:			
Infants and Families with Disabilities	84.027	144228-02	10,304
Infants and Families with Disabilities	84.027	154239-02	198,759
Infants and Families with Disabilities	84.027	145286-01	137,509
Infants and Families with Disabilities	84.027	154239-02	231,383
Infants and Families with Disabilities	84.027	144228-05	93,546
Infants and Families with Disabilities	84.173	154239-03	9,000
Subtotal Special Education (IDEA) Cluster			680,501
Summer Youth	84.126	135345	81,196
Montgomery County Department of Economic Development	84.126	155508-01	24,583
Infants and Families with Disabilities	84.181	154229-01	707,634
Infants and Families with Disabilities	84.181	154239-01	215,283
Infants and Families with Disabilities	84.181	144228-01	399,604
Maryland Family Network			
Race to the Top - Early Learning Challenge Grant	84.412	none	33,750
Local Early Childhood Advisory Council	84.412A	145113	131,907
Total U. S. Department of Education			2,274,458
U. S. Department of Health and Human Services			
Direct Programs:			
State Improvement Program	93.586	CPCW-14-05	13,592
Head Start	93.600	03CH2109/49	4,667,784
Targeted Health Funding - Maternal and Child Health	93.994	none	586,793
Child Support Warrants Reimbursement	93.563	none	3,460
Subtotal Direct Programs			5,271,629
Pass Through Programs From:			
Maryland State Office on Aging			
Special Programs for the Aging - Ombudsman Services	93.042	AAA-3-24-015	73,074
Title III, Part D - Supportive Services and Senior Centers	93.043	AAA-3-24-015	25,279
National Family Care Giver Support	93.052	AAA-3-24-015	347,213
Medicare Improvement for Patients & Providers	93.779	MIPPA ST-2517-014	8,861
Money Follows the Person - Education and Application	93.791	M00B24000380-014	100,925
Programs of the Aging Cluster:			
Title III, Part B - Supportive Services and Senior Centers	93.044	AAA-3-24-015	788,553
Title III, Part C - Nutrition Services	93.045	AAA-3-24-015	1,519,387
Senior Medicare Patrol Expansion	93.048	ST-2514-014	2,560
Nutrition Service Incentive Program	93.053	ST-2505-015	238,904
Nutrition Service Incentive Program	93.053	ST-2505-014	111,986
Subtotal Aging Cluster			2,661,390
Maryland Family Network			
Child Care Resource and Referral Grant	93.575	none	196,592
Early Childhood Mental Health Consultation For Children Birth to Five	93.575	154171-002	14,000
Early Childhood Mental Health Consultation For Children Birth to Five	93.575	164242-001	1,025
Maryland Community Health Resources Commission			
Local Health Improvement Coalition	93.507	LHIC13-006	63,000
Maryland State Department of Human Resources			
Title IV-E Guardianship	93.090	Md. State HB 669	2,928
Title IV-B PSSF Caseworker Visits	93.556	Md. State HB 669	68,200
Programs of the Temporary Assistance for Needy Families (TANF) Cluster:			
Temporary Assistance for Needy Families	93.558	Md. State HB 669	4,463,907
Subtotal Temporary Assistance for Needy Families (TANF) Cluster			4,463,907
Title IV-D - Child Support	93.563	Md. State HB 669	483,454
Child Support Enforcement	93.563	CSEA/CRA-13-043	9,002
Child Support Enforcement	93.563	CSEA/CRA-14-043	179,952
Child Support Enforcement	93.563	CSEA/CRA/15-043	581,579
Low Income Home Energy Assistance	93.568	Md. State HB 669	981,633
Programs of the Child Care and Development Fund (CCDF) Cluster:			
Child Care Mandatory and Matching Funds of the CCDF	93.575	Md. State HB 669	900,064
Child Care and Development Fund (CCDF)	93.596	Md. State HB 669	47,358
Subtotal Child Care and Development Fund (CCDF) Cluster			947,422
Foster Care Title IV-E Administration	93.658	Md. State HB 669	2,567,001
Title IV-E - Adoption	93.659	Md. State HB 669	54,586
Child Abuse and Neglect	93.669	Md. State HB 669	5,490
Children Insurance Program (CHIP)	93.767	Md. State HB 669	305,833
Senior Health Insurance Counseling	93.779	ST-2515-014	61,240
Maryland State Department of Housing and Community Development			
Community Services Block Grant	93.569	DCA/OCA-10-03-013	66,620

**MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015**

Federal Grantor, Pass Through Grantor, Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
U. S. Department of Health and Human Services (continued)			
Georgetown University			
Programs of the Research and Development Cluster:			
Microbiology Infectious Disease Research - HIV Positive Women	93.855	RX 4335-044-MCH MC	75,673
Microbiology Infectious Disease Research - HIV Positive Women	93.855	2-U01-AI034994-21	16,141
Subtotal Research and Development Cluster			<u>91,814</u>
Prince George's County			
HIV Emergency Relief FY16	93.914	none	505,983
HIV Emergency Relief FY15	93.914	none	1,291,892
Maryland State Department of Health and Mental Hygiene			
Centers for Disease Control and Prevention (CDCP)			
Public Health Emergency Preparedness	93.069	CH822PHP	743,774
Tuberculosis Control	93.116	CH015TBF	284,328
PATH - Transition from Homelessness	93.150	MH170OTH	84,149
Immunization Cooperative Agreements	93.268	CH354HMM	351,195
Maryland Health Benefit Exchange	93.525	HBEIE120127-01	2,829,920
HIV Care Formula	93.917	AD486RWS	895,785
CDC Breast & Cervical Cancer Early Detection Programs	93.752	FHC49BCC	512,350
HIV Prevention Activities Health Department Based	93.940	AD348PRV	522,046
HIV Prevention Activities Health Department Based	93.940	CH632STD	43,702
Community Mental Health Services	93.958	MH234OTH	447,072
Overdose Misuse Prevention	99.959	AS306OMP	36,292
Prevention and Treatment of Substance Abuse	93.959	MU525ADP	374,754
Prevention and Treatment of Substance Abuse	93.959	AS241FED	1,121,892
Children with Special Needs - FY14	93.994	CH501CSN	70,970
Subtotal Pass Through Programs			<u>24,849,981</u>
Programs of the Medicaid Cluster:			
Direct Programs:			
Nursing Home Reimbursement	93.777	none	588,511
Pass Through Programs From:			
Maryland State Department of Human Resources			
Title XIX - Certification	93.778	Md. State HB 669	6,744,087
Title XIX - Health Related Services	93.778	Md. State HB 669	529,019
Maryland State Department of Health and Mental Hygiene			
PWC Eligibility	93.778	MA286ACM	384,175
Medical Assistance - Medicaid Transport	93.778	MA020EPS	379,925
Medical Assistance - Medicaid Transport	93.778	MA366GTS	2,618,068
Medical Assistance Program	93.778	none	3,200,827
Maryland Access Point	93.778	2903-2525-43	31,513
Maryland Health Benefit Exchange	93.778	01-001-13	3,635,935
Subtotal Medicaid Cluster			<u>18,112,060</u>
Children's Health Insurance Program	93.767	MA286ACM	507,890
Children's Health Insurance Program	93.767	MA020EPS	48,848
Total U. S. Department of Health and Human Services			<u>48,790,407</u>
Corporation for National and Community Service			
Direct Programs:			
Retired and Senior Volunteer Program	94.002	12SRAMD006	51,472
Retired and Senior Volunteer Program	94.002	15SRAMD001	16,555
Pass Through Programs From:			
Governor's Office on Service and Volunteerism			
Maryland Volunteer Generation Fund	94.021	13 VGFMD 001	21,199
Maryland Volunteer Generation Fund	94.021	14VG163275	12,307
Total Corporation for National and Community Service			<u>101,533</u>
U. S. Department of Homeland Security			
Direct Programs:			
National Urban Search and Rescue Response System	97.025	EMW-2012-CA-K00006	231,375
National Urban Search and Rescue Response System	97.025	EMW-2013-CA-K00010	598,107
National Urban Search and Rescue Response System - Washington Mudslides	97.025	EMW-2014-CA-K00057	426,265
Assistant to Fire Fighters Grant	97.044	EMW-2013-FP-01024	25,458
SAFER Grant	97.044	EMW-2011-FH-01115	917,155
Subtotal Direct Programs			<u><u>2,198,360</u></u>

**MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015**

Federal Grantor, Pass Through Grantor, Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
U. S. Department of Homeland Security (cont.)			
Pass Through Programs From:			
District of Columbia - Homeland Security and Emergency Management Agency			
FFY13 UASI RADIO CACHE MAINT	97.067	13UASI535-08	117,111
FFY14 UASI RADIO CACHE MAINT	97.067	14UASI535-08	10,002
U. S. Department of Homeland Security (continued)			
FFY13 UASI Exercise and Training Officer	97.067	13UASI535-01	900
FFY14 UASI Exercise and Training Officer	97.067	14UAI535-01	181,330
FY14 Planning, Training & Exercises- Montgomery County (MD 5%)	97.067	14UASI535-10	25,690
FFY13 UASI ALS Surge Equipment	97.067	13UASI535-15	193,624
FFY14 UASI LInX Maintenance	97.067	14UASI535-07	6,712
FFY13 UASI LInX Maintenance	97.067	13UASI535-07	1,713,060
FFY12 UASI LINX	97.067	12UASI536-01	48,363
FY13 Medical Cache Sustainment (MDERS)	97.067	13UASI535-18	38,400
FY13 NIMS Compliance Officer	97.067	13USAI535-02	1,832
FY14 NIMS Compliance Officer	97.067	14UASI535-02	17,681
FY13 UASI SWAT-K9 Integration Training	97.067	13UASI535-14	11,879
FY13 Emergency Service Unit Vehicle	97.067	13UASI535-12	399,164
FY13 Tactical Emergency Casualty Care (TECC)	97.067	13UASI535-17	583,146
FY14 Tactical Emergency Casualty Care (TECC)	97.067	14UASI535-16	168,537
FY13 Tactical Equipment- Montgomery County (MDERS)	97.067	13UASI535-16	383,947
FFY13 EMS Unit Equipment	97.067	13UASI535-13	100,000
FY13 Bomb Squad Equipment (MD 5%)	97.067	13UASI535-11	143,478
FY14 Montgomery County Dual Comm Radios-MD 5%	97.067	14UASI535-12	66,813
FFY13 Volunteer & Citizen Corps Program - MC	97.067	13UASI535-03	205,373
FFY14 Volunteer & Citizen Corps Program - MC	97.067	14UASI535-03	46,619
FY13 Composite Sketch Software for NCR Police Agencies	97.067	13UASI535-19	57,846
FY14 Night Vision Tactical Operating Training	97.067	14UASI535-05	12,591
FY13 Water Operations Equipment	97.067	13UASI535-10	355,441
FFY13 UASI Regional Planning Grant	97.067	13USAI535-04	229,425
FFY14 UASI Regional Planning Grant	97.067	14UASI535-04	128,131
FRS FFY12 UASI WATER OPERATIONS	97.067	12UASI541-04	37,116
FY13 County EOP and COOP Planning	97.067	13USAI535-05	204,474
Maryland Emergency Management Agency			
State Homeland Security Grant Program	97.067	EMW-2013-SS-0002	244,443
State Homeland Security Grant Program	97.067	EMW-2014-SS-00007-S01	29,880
Emergency Management Preparedness	97.042	14-SR-8852-01	322,200
Subtotal Pass Through Programs			<u>6,085,207</u>
Total U.S. Department of Homeland Security			<u>8,283,567</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>112,376,551</u>

MONTGOMERY COUNTY, MARYLAND
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2015

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the primary government of Montgomery County, Maryland (the County), and is presented on the modified-accrual basis of accounting. Federal awards of component units of the County reporting entity are not included in this Schedule.

The information in this Schedule is also presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

Expenditures of federal award grant funds are made for the purposes specified by the grantor, and are subject to certain restrictions. Expenditures are also subject to audit by the relevant federal agency. In the opinion of management, disallowed costs, if any, from such audits will not have a material effect on this Schedule or the financial position of the County.

NOTE 2 SUBRECIPIENTS

Of the expenditures presented in the Schedule, the County provided awards to subrecipients as follows:

Program Title	CFDA Number	Subrecipient Name	Amount Provide to Subrecipients
Head Start	93.600	Montgomery County Public Schools	3,603,675
Infants and Toddler (I&T)	84.027	Montgomery County Public Schools	10,304
Infants and Toddler (I&T)	84.027	Montgomery County Public Schools	231,383
Infants and Toddler (I&T)	84.181	Montgomery County Public Schools	41,753
Infants and Toddler (I&T)	84.181	Montgomery County Public Schools	215,283
Community Development Block Grant (CDBG)			
CDBG	14.218	City of Rockville	320,645
CDBG	14.218	City of Takoma Park	179,691
Workforce Investment Act (WIA)			
Adult Program	17.258	WSGMC*	897,507
Adult Program	17.258	Latin American Youth Center	45,676
Youth Activities	17.259	Latin American Youth Center	750,506
Youth Activities	17.259	Latin American Youth Center	89,718
Youth Summer Program	17.278	Transcen Inc.	168,766
Dislocated Workers	17.278	WSGMC*	871,641
DORS Summer Youth	81.126	Transcen Inc.	59,586

*Workforce Solutions Group of Montgomery County, Inc. (WSGMC)

NOTE 3 LOAN PROGRAMS WITH CONTINUING COMPLIANCE REQUIREMENTS

The County participates in the Home Investment Partnership Act federal loan program. The balance of loans from previous years and current year loan activity, as required under OMB Circular A-133, are presented in the Schedule of Expenditures of Federal Awards.

**MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

PART I – SUMMARY OF AUDITORS’ RESULTS

Financial Statement Section

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

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

Type of auditors’ 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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.561	Supplemental Nutrition Assistance Program
17.258, 17.259, 17.278	Workforce Investment Cluster
93.558	Temporary Assistance for Needy Families
93.658	Foster Care
93.563	Child Support Enforcement
93.575, 93.596	Child Care Development Fund
93.568	Low Income Home Energy Assistance
93.777, 93.778	Medicaid Cluster

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, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

PART II – FINANCIAL STATEMENT FINDINGS SECTION

None noted

PART III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

Reference Number: 2015-001
Federal Agency: U.S. Department of Health and Human service
Pass-through Agency: State of Maryland - Office of Home and Energy Programs (OHEP)
Federal Program: Low Income Home Energy Assistance (LIHEAP)
CFDA Number: 93.568
Compliance Requirement: Eligibility
Type of Finding: Control and Compliance

Criteria or specific requirement:

Control: The A-102 Common Rule and its attachments found in 34 CFR 80 require that non-Federal entities receiving Federal awards (i.e., management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Compliance: Code of Maryland Regulations (COMAR) requires applications to be processed by all Local Administering Agencies (LAAs) within a 45-day period from the receipt of the application.

Condition/Context:

18 out of 40 LIHEAP applications tested were not processed within the required 45-day time frame as required by OHEP.

Questioned costs: none noted, no costs were disallowed as a result of the delayed processing of the application.

Cause:

The County received a high volume of applications prior to July 2014, the first day allowed by the State (grantor) to start processing applications. This created a backlog of applications which were not processed within the 45-day State requirement.

Effect:

The County was not in compliance with the pass-through agency's program requirement.

Auditors' Recommendation:

We recommend that the County review their current application acceptance, review and determination procedures to determine if any procedural enhancements are required to ensure compliance requirements are met.

**MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

Views of responsible officials and planned corrective actions:

The following new procedure changes were immediately enacted in order to significantly improve the application process and meet the program compliance requirements.

1. The State of Maryland extended two state funded positions to assist the County with processing applications.
2. Incoming applications will no longer be checked for a FY 13 case file. Only FY 15 and FY 14 will be checked and the case file pulled.
3. Caseworkers must enter their name in the OHEP state database when reviewing a case even if the case worker is not retaining the file in their office.
4. Database approval and denial letters will be generated twice a week and mailed from the State of Maryland's OHEP office.

Agency Contact Name: Rebecca Soubra, Program Manager

Agency Contact Phone Number: 240-777-4034

Anticipated Completion Date: December 31, 2015

**MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2015**

None Noted

**LANDFILL CLOSURE AND POST-CLOSURE COSTS
MONTGOMERY COUNTY, MARYLAND**

**INDEPENDENT ACCOUNTANTS' REPORT ON
AGREED-UPON PROCEDURES
JUNE 30, 2015**



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The Honorable County Council of
Montgomery County, Maryland

We have performed the procedures enumerated below, which were agreed to by the management of Montgomery County, Maryland (County), solely to assist the County in evaluating management's assertion, contained in the Chief Financial Officer's letter (the Letter), including attachments, dated December 16, 2015, Annual Certification of Financial Assurance Mechanisms for Local Government Owners and Operators of Municipal Solid Waste Landfill Facilities (Attachment A), which addresses the County's compliance with the Federal Register (40 CFR Part 258, Subpart G) Criteria For Municipal Solid Waste Landfills – Financial Assurance Criteria. The County's management is responsible for the areas and information listed in this report. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purposes.

LANDFILL CLOSURE AND POST-CLOSURE COSTS

The agreed-upon procedures and associated findings are as follows:

- A. Obtain the Letter from the Director of Finance that demonstrates financial assurance for closure and post-closure care costs as specified in 40 CFR §258, Subpart G, Financial Assurance Criteria:
1. Compare the data and statements, as specified in the State Support Document for the Local Government Financial Test (prepared by the Environmental Protection Agency), contained in the accompanying letter with the audited financial statements of Montgomery County, Maryland as of and for the year ended June 30, 2015.

No exceptions noted. The June 30, 2015 financial statements were audited by CliftonLarsonAllen LLP.

- B. Determine that compliance with 40 CFR §258, Subpart G, Financial Assurance Criteria with respect to the Local Government Financial Test is met by completing the following:
1. Obtain the total remaining closure and post-closure, costs to be assured and the local government's total annual revenue. Calculate the ratio of remaining closure and post-closure costs to total annual revenue and determine this ratio satisfies the requirement of being less than or equal to 43%.

No exceptions noted. The closure and post-closure costs are within 43% of the local government's total annual revenue.

2. Inquire as to whether the County assumes other environmental obligations, including those associated with Underground Injection Control (UIC) facilities under 40 CFR 144.62, petroleum underground storage tank facilities under 40 CFR Part 280, Polychlorinated Biphenyls (PCB)

storage facilities under 40 CFR Part 761, and Hazardous Waste Treatment, storage and disposal facilities under 40 CFR Parts 264 and 265. If yes, review the total remaining closure and post-closure costs from B1 above and determine costs for other environmental obligations are included.

No other environmental obligations were noted.

3. If costs in B1 or B2 above exceed the 43% limits, obtain evidence that an alternate financial assurance instrument exists, which includes a letter of credit, insurance or other collateral or guarantee.

Not applicable. The costs in B1 or B2 above did not exceed the 43% limits.

4. If there are outstanding, rated, general obligation bonds that are not secured by insurance, a letter of credit or other collateral or guarantee, obtain the current bond rating from Moody's and Standard and Poor's rating agencies and determine these ratings satisfy the following requirements:
 - a. Moody's – Aaa, Aa, A, or Baa OR
 - b. Standard and Poor's – AAA, AA, A, or BBB.

No exceptions noted. The bonds are currently rated Aaa by Moody's and AA+ by Standard & Poor's.

5. If the bond rating requirements in B4 have not been met, recalculate the following ratios:
 - a. A ratio of cash plus marketable securities to total expenditures greater than or equal to 0.05;
 - b. A ratio of annual debt service to total expenditures less than or equal to 0.20.

This calculation is not required as the County has met the bond rating requirements in B4 above.

6. Obtain the Comprehensive Annual Financial Report and by reading the independent auditor's report, determine that:
 - a. The County prepares its financial statements in accordance with Generally Accepted Accounting Principles (GAAP) and they are audited by an independent Certified Public Accountant.
 - b. An adverse opinion, disclaimer of opinion, or other modified opinion was not issued from the independent Certified Public Accountant auditing the Comprehensive Annual Financial Report.

No exceptions noted. The County prepares its financial statements in accordance with generally accepted accounting principles (GAAP), are audited by CliftonLarsonAllen, LLP and the County received an unmodified opinion as of and for the year ended June 30, 2015.

7. Through inquiry with management determine that the County is not currently in default on any of its outstanding general obligation bonds.

No exceptions noted. The County is not currently in default on any of its outstanding general obligation bonds.

8. Obtain the total annual revenues and total annual expenditures for the County for the past two fiscal years. Calculate the operating surplus or deficit for each year by subtracting the total annual expenditures from the total annual revenues. If the County operated at a deficit for either of the past two fiscal years, determine that the deficit was not equal to 5% or more of its total annual revenue.

No exceptions noted. The County, as indicated in the letter and attachments, was not operating at a deficit greater than 5% for each of the years ended June 30, 2015 and 2014, per review of the financial statements.

9. Obtain and read the footnote(s) for closure and post-closure costs, determine that the following is disclosed in the audited financial statements:
 - a. Nature and source of closure and post-closure care requirements;
 - b. The reported liability of closure and post-closure costs at the balance sheet date;
 - c. The estimated total closure and post-closure care costs remaining to be recognized;
 - d. The percentage of landfill capacity used to date;
 - e. The estimated landfill life in years.

No exceptions noted. All items noted above are disclosed in the June 30, 2015 financial statements.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on Montgomery County's compliance with the reporting requirements as specified by the U.S. Environmental Protection Agency (EPA) pursuant to 40 CFR §258, Subpart G, Financial Assurance Criteria with respect to the Local Government Financial Test for the year ended June 30, 2015. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use by management and the County Council of Montgomery County, Maryland, and is not intended to be and should not be used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Baltimore, Maryland
December 16, 2015

**MARYLAND 911 EMERGENCY NUMBER SYSTEMS PROGRAM
MONTGOMERY COUNTY, MARYLAND**

**SCHEDULE OF MAINTENANCE AND OPERATING
REVENUES AND EXPENDITURES
JUNE 30, 2015**

**MARYLAND 911 EMERGENCY NUMBER SYSTEMS PROGRAM
MONTGOMERY COUNTY, MARYLAND
TABLE OF CONTENTS
JUNE 30, 2015**

INDEPENDENT AUDITORS' REPORT	1
SCHEDULE OF MAINTENANCE AND OPERATING REVENUES AND EXPENDITURES	3
NOTE TO THE SCHEDULE OF MAINTENANCE AND OPERATING REVENUES AND EXPENDITURES	4



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INDEPENDENT AUDITORS' REPORT

The Honorable County Council
of Montgomery County, Maryland
Rockville, Maryland

Report on the Financial Statements

We have audited the accompanying Schedule of Maintenance and Operating Revenues and Expenditures of the Maryland 911 Emergency Number Systems Program of Montgomery County, Maryland (the County 911 Program) for the year ended June 30, 2015, and the related notes to the schedule.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this Schedule in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this Schedule based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The Honorable County Council
of Montgomery County, Maryland

Opinion

In our opinion, the Schedule of Maintenance and Operating Revenues and Expenditures referred to above presents fairly, in all material respects, the revenues and expenditures of the Maryland 911 Emergency Number Systems Program of Montgomery County, Maryland for the year ended June 30, 2015, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We have audited, 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, the basic financial statements of Montgomery County, Maryland as of and for the year ended June 30, 2015 and our report thereon, dated December 16, 2015, expressed an unmodified opinion on those financial statements.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
December 16, 2015

**MARYLAND 911 EMERGENCY NUMBER SYSTEMS PROGRAM
MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF MAINTENANCE AND OPERATING
REVENUES AND EXPENDITURES
YEAR ENDED JUNE 30, 2015**

REVENUES

County Fee	\$ 6,465,890
Pre-paid Revenue	689,872
Interest Income	<u>34,378</u>
 Total Revenues	 <u>7,190,140</u>

EXPENDITURES

Personnel Costs	8,665,515
Non-personnel costs:	
Telephone	583,312
Rent	1,101,938
Repairs	450,289
Utilities	456,658
Miscellaneous	<u>59,907</u>
 Total Expenditures	 <u>11,317,619</u>

OPERATING EXPENDITURES IN EXCESS OF REVENUES \$ (4,127,479)

The accompanying notes are an integral part of this schedule.

(3)

**MARYLAND 911 EMERGENCY NUMBER SYSTEMS PROGRAM
MONTGOMERY COUNTY, MARYLAND
NOTES TO THE SCHEDULE OF MAINTENANCE AND OPERATING
REVENUES AND EXPENDITURES
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

911 is the three-digit telephone number that has been designated for public use throughout the United States in requesting emergency assistance. The 911 System (the System) allows an individual to reach a centralized dispatch center for all emergency services, eliminating the need to recall the separate 10-digit numbers for each emergency service provided in a political jurisdiction. Generally, each political jurisdiction maintains a centralized dispatch center.

Basis of Accounting and Financial Statement Presentation

The Schedule of Maintenance and Operating Revenues and Expenditures is prepared on the modified accrual basis of accounting whereby revenues are recorded when susceptible to accrual, which is defined as when the revenues are both measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon thereafter to pay liabilities of the current period (i.e., within 60 days after year-end). Expenditures are recorded when the liability is incurred.

The accompanying Schedule of Maintenance and Operating Revenues and Expenditures was prepared to present the maintenance and operating revenues and expenditures of the County's 911 System centralized dispatch center pursuant to Section 1-312 of the Code, which prescribes accounting procedures for 911 maintenance and operating revenues and expenditures, and establishes limits on the types and amounts of revenues that can be used for personnel and other maintenance and operating expenditures.

The Schedule of Maintenance and Operating Revenues and Expenditures reflects the designated revenue from the Emergency Number Systems Board of the Maryland Department of Public Safety and Correctional Services (the Board) and the expenditures incurred to run the System. The County funds the difference between the Board revenue and total expenditures.

Statutory Reporting

The reported revenues and expenditures of the Program are included in the County's General Fund and include the following:

Revenues:

A County fee (additional charge) of \$.75 per month per subscriber to 911-accessible service and a prepaid wireless fee of \$.60 per retail transaction is deposited into the State 911 Trust Fund and distributed (on a quarterly basis) to Montgomery County by the Maryland Department of Public Safety and Correctional Services for eligible operation and maintenance costs. The County fee is pursuant to Title 1, Subtitle 3, Section 1-311 and Section 1-313 of the Annotated Code of Maryland. Distribution of any interest earned is done so at the discretion of the Board.

**MARYLAND 911 EMERGENCY NUMBER SYSTEMS PROGRAM
MONTGOMERY COUNTY, MARYLAND
NOTES TO THE SCHEDULE OF MAINTENANCE AND OPERATING
REVENUES AND EXPENDITURES
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statutory Reporting (Continued)

Expenditures:

Reported expenditures for eligible operation and maintenance costs include telephone company charges, equipment costs or equipment lease charges, system enhancements, repairs, utilities, personnel costs, and appropriate carryover costs from previous years (Maryland Annotated Code, Public Safety Article Section 1-312(b)).