

**Montgomery County Audit Contract – RFP #425820958**  
**Pre-Bidders Conference**  
**September 10, 2015 at 2:00 pm**

<b>Documents</b>
Answers to Frequently Asked Questions
Montgomery County FY14 Report on Expenditures of Federal Awards
FY14 Independent Auditor's report on Internal Control Over Financial Reporting and on Compliance for the County Government – <i>included in the Report on Expenditures of Federal Awards on page 1</i>
FY14 Management Letter for Audit of Montgomery County's Financial Statements
Response to Management Letter for the Audit of County Government Financial Statements for the Fiscal Year Ended June 30, 2014
FY14 Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance for the Montgomery County Employee Retirement Plans
FY14 Independent Auditor's Report for the Audit of the Financial Statements of the Montgomery County Union Employees Deferred Compensation Plan
Maryland 911 Emergency Number Systems Program Schedule of Maintenance and Operating Revenue and Expenditures for the Year Ended June 30, 2014
Federal Transit Administration's National Transit Database Independent Accountant's Report on Agreed-Upon Procedures for the Year Ended June 30, 2014
Landfill Closure and Post-Closure Costs, Independent Accountant's Report on Agreed-Upon Procedures for the Year Ended June 30, 2014

Copies of the County Government's FY14 CAFR, the FY14 Report on Expenditure of Federal Awards, and the FY14 CAFR of the Montgomery County Employee Retirement Plans are available at:

FY14 County Government CAFR

[http://www.montgomerycountymd.gov/finance/resources/files/data/financial/cafr/FY2014\\_CAFR\\_web.pdf](http://www.montgomerycountymd.gov/finance/resources/files/data/financial/cafr/FY2014_CAFR_web.pdf)

FY14 Report on Expenditure of Federal Awards

[http://www.montgomerycountymd.gov/Finance/Resources/Files/data/financial/FY14\\_MOCO\\_Single\\_Audit\\_FINAL.pdf](http://www.montgomerycountymd.gov/Finance/Resources/Files/data/financial/FY14_MOCO_Single_Audit_FINAL.pdf)

FY14 CAFR for the Montgomery County Employee Retirement Plans

[http://www.montgomerycountymd.gov/mcerp/Resources/Files/FY2014\\_CAFRweb.pdf](http://www.montgomerycountymd.gov/mcerp/Resources/Files/FY2014_CAFRweb.pdf)

# Montgomery County Audit Contract – RFP #425820958

## Frequently Asked Questions

*1. When will the Council select the next auditor?*

A Selection Committee will evaluate and score the written proposal received in response to the Request RFP. The Council's Audit Committee is scheduled to interview the three bidders with the highest scores from the written proposal review. The Audit Committee currently is scheduled to interview and rate the top three bidders in a closed session on the afternoon of Thursday, November 12, 2015. The top bidder will enter into contract negotiations and we anticipate the signing of a contract in the spring of 2016.

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*2. Were there any adjustments or management letter findings during last year's audit?*

The auditor issued a management letter for FY14. There were no adjustments made in the FY14 audit.

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*3. In regards to the Single Audit, is Montgomery County a low-risk auditee? Were there any compliance findings in the prior year?*

The County Government was not a low-risk auditee for the FY14 Single Audit. For the FY15 Single Audit, the County will be a low-risk auditee. For FY14, the auditor issued an unmodified report for compliance for major programs and did not make any findings.

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*4. Are there any major changes to your federal award programs for this fiscal year? Will the funding levels remain the same?*

There are no major changes to the County Government's federal award programs for this fiscal year. There are no material changes in funding levels.

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*5. When will you be ready for planning for year-end field work?*

Typically, Executive Branch staff meet with the auditors in May to plan for that year's audit. The auditors perform a preliminary audit at the end of May or beginning of June and return for field work in early October.

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*6. Does a certified Minority-Owned Business need an MFD subcontractor?*

No, a contractor that is a certified minority owned business does not need to meet the MFD subcontracting requirements detailed in Attachments B to the Request for Proposals.

# Montgomery County Audit Contract – RFP #425820958

## Frequently Asked Questions

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### 7. *How many hours did the prior year audit field work require?*

The Office of Legislative Oversight does not have information on the number of hours spent by the auditor on the engagement. Because the Council's audit contract is a firm-fixed-price contract, the invoices received do not indicate hours spent on the audit.

We do have estimated hours presented in proposals responding to the RFP issued by the County Council in 2011. Six firms quoted the following number of hours in their proposals:

- 2,420 hours
  - 2,500 hours
  - 2,678 hours
  - 2,750 hours
  - 2,768 hours
  - 3,127 hours
- 

### 8. *What was the prior year's audit fee?*

The audit fees for the FY14 audit work were:

• County Government financial statements audit (includes single audit)	\$239,901
• Retirement plans financial statements audit	\$31,268
• Montgomery County Union Employees Deferred Compensation Plan financial statements audit	\$16,324
• National Transit Database agreed-upon procedures	\$9,540
• 911 system audit	\$4,224
• Landfill agreed-upon procedures	<u>\$2,804</u>
	\$304,061

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### 9. *Why have you decided to go out for bid for audit services?*

Council Resolution 16-326 (October 2, 2007) states that it is the Council's policy "to select an independent auditor every four years...." The Council last issued an RFP for auditing services in 2011.

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### 10. *Can a firm submit a bid for only a portion of the work in the Scope of Services Work Statement in the RFP?*

Proposals must be for all of the work listed in the Scope of Services Work Statement (pages 24-26) in the RFP. Nothing in the RFP, however, prohibits two or more firms from submitting a joint proposal to provide all services.

# MONTGOMERY COUNTY MARYLAND

## *Report on Expenditures of Federal Awards*



*Fiscal Year 2014*

July 1, 2013 - June 30, 2014  
Rockville, Maryland

**MONTGOMERY COUNTY, MARYLAND**

**REPORT ON SINGLE AUDIT**

**June 30, 2014**

## TABLE OF CONTENTS

	PAGE
<b>INDEPENDENT AUDITORS' REPORTS</b>	
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
<b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b> .....	6
<b>NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b> .....	11
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b> .....	13
<b>SCHEDULE OF PRIOR YEAR FINDINGS</b> .....	15

**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, 2014, 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 17, 2014. 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.

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.

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

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
December 17, 2014



**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, 2014. 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, 2014, 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, 2014. 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.

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, 2014.

### **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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Montgomery County, Maryland (the County), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated December 17, 2014, 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, 2014. 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.

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**CliftonLarsonAllen LLP**

Baltimore, Maryland  
December 17, 2014

**MONTGOMERY COUNTY, MARYLAND**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2014**

Federal Grantor, Pass Through Grantor, Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
<b>U. S. Department of Agriculture</b>			
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	\$ 5,467,695
Subtotal SNAP Cluster			\$ 5,467,695
Programs of the Food Distribution Cluster:			
FY13 TEFAP SURPLUS FOOD	10.568	OGM/FNS-12-016	1,816
Emergency Food Assistance Program (Food Commodities)	10.569	Food Bank	65,223
Subtotal Food Distribution Cluster			67,039
<b>Total U.S. Department of Agriculture</b>			<b>5,534,734</b>
<b>U.S. Department of Defense - Office of Economic Adjustment</b>			
Direct Programs:			
Maryland Crossing Route 355	12.600	-	2,899,518
Base Realignment and Closure (BRAC)	12.607	-	139,558
<b>Total U. S. Department of Defense</b>			<b>3,039,076</b>
<b>U. S. Department of Housing and Urban Development</b>			
Direct Programs:			
Programs of the CDBG - Entitlement Grants Cluster:			
Community Development Block Grant (CDBG)	14.218	-	5,792,282
Subtotal CDBG - Entitlement Grants Cluster			5,792,282
Emergency Shelter Program	14.231	-	384,103
HOME Investment Partnership	14.239	-	1,723,207
Balance of 06/30/2013 Outstanding Loans as of 06/30/2014	14.239	-	31,493,726
Subtotal Direct Programs			39,393,318
Pass Through Programs From:			
Maryland State Department of Health and Mental Hygiene			
Housing for People with AIDS (HOPWA)	14.241	AD658HOP	781,814
Subtotal Pass Through Programs			781,814
Direct Programs:			
Continuum of Care Planning	14.267	-	18,109
<b>Total U. S. Department of Housing and Urban Development</b>			<b>40,193,241</b>
<b>U. S. Department of Justice</b>			
Direct Programs:			
SCAAP - States Alien Assistance Program G.F.	16.606	-	828,861
COPS Universal Hiring Program	16.710	-	250,000
DNA Backlog Reduction	16.741	-	51,660
Enforcement of Protection Orders Program	16.590	-	395,828
Work First, Train Concurrently	16.812	-	6,233
Subtotal Direct Programs			1,532,582
Pass Through Programs From:			
Governor's Office of Crime Control and Prevention			
Victims of Crime Assistance Program (VOCA)	16.575	VOCA-2011-1216	192,380
Victims of Crime Assistance Program (VOCA)	16.575	VOCA-2012-1316	10,666
Multicultural Intervention Project for Victims of Child Abuse	16.575	VOCA-2011-1253	209,668
Multicultural Intervention Project for Victims of Child Abuse	16.575	VOCA-2012-1353	62,762
S.T.O.P. Violence Against Women Act	16.588	VAWA-2011-1912	60,000
S.T.O.P. Violence Against Women Act	16.588	VAWA-2012-1012	3,319
Lethality Assessment Advocate	16.588	VAWA-2011-1611	14,988
Lethality Assessment Advocate	16.588	VAWA-2012-1711	9,028
FY14 Discovery Improvement	16.590	VAWA-2011-1912	2,506
Courtroom Technology Enhancements	16.590	BJAG-2009-1092	12,361
University of Maryland, College Park			
Bi County Gang Grant - Congressionally Selected	16.753	2010-DD-BX-0554	27,758
U.S. Marshall's Office			
FY12 Regional Fugitive - US MARSHALS	16.595	JLEO-12-0128	17,907
FY13 US MARSHALS	16.595	JLEO-13-0128	6,460
Subtotal Pass Through Programs			629,803

**MONTGOMERY COUNTY, MARYLAND**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2014**

Federal Grantor, Pass Through Grantor, Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
<b>U. S. Department of Justice</b> (continued)			
Justice Assistance Grant (JAG) Cluster:			
Direct Programs:			
FY14 E-Citation	16.738	-	\$ 24,500
Pass Through Programs From:			
Governor's Office of Crime Control and Prevention			
Prosecutor/Analyst - CSAFE Bridge Funding	16.738	BJAG-2010-1919	10
FY13 BJA Grant	16.738	-	37,699
LETS Forensic Evidence	16.738	-	2,045
LETS FIPS Training	16.738	BJAG-2010-001	4,959
Maryland Emergency Management Agency (MEMA)			
FY13 BJA Grant	16.738	-	16,923
Subtotal Justice Assistance Grant (JAG) Cluster			\$ 86,136
<b>Total U. S. Department of Justice</b>			<b>2,248,521</b>
<b>U. S. Department of Labor</b>			
Pass Through Programs From:			
State Department of Labor, Licensing and Regulation			
Programs of the Workforce Investment Act (WIA) Cluster:			
WIA - Adult Program	17.258	POOB2400134-A	25,547
WIA - Adult Program	17.258	POOB2400134-A	499,368
WIA - Adult Program	17.258	POOB3400016-A	255,909
WIA - Youth Programs	17.259	POOB2400005-B	648,324
WIA - Youth Programs	17.259	POOB3400016-B	206,684
Summer Youth Connection	17.259	POOP3400560	91,208
WIA - State Wide	17.259	-	3,000
WIA - Early Intervention	17.278	-	216,270
WIA - Dislocated Workers	17.278	POOB24000134-C	96,730
WIA - Dislocated Workers	17.278	POOB2400072-C	402,840
Rapid Response - Early Intervention	17.278	POOB3400248	154,917
Subtotal Workforce Investment Act (WIA) Cluster			2,600,797
<b>Total U. S. Department of Labor</b>			<b>2,600,797</b>
<b>U. S. Department of Transportation</b>			
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	883,245
Subtotal Transit Services Programs Cluster			883,245
Maryland Transit Administration			
Programs of the Federal Transit Cluster:			
Ride-on Bus Fleet	20.500	MO095-309-C2012	2,858,537
Ride-on Bus Fleet	20.500	MO095-307-WC2012	1,600,000
Ride-on Bus Fleet	20.507	MO095-307-BC2013	1,600,000
Ride-on Bus Fleet	20.507	MD-95-0009	1,600,000
RideSharing/Commuter Assistance Grant	20.507	-	287,874
RideSharing/Commuter Assistance Grant	20.507	-	14,400
Subtotal Federal Transit Cluster			7,960,811
Ride-on Bus Fleet	20.519	MD-58-0002	3,066,286
National Highway Traffic Safety Administration			
Programs of the Highway Safety Cluster:			
State and Community Highway Safety	20.600	-	6,599
Subtotal Highway Safety Cluster			6,599
<b>Total U. S. Department of Transportation</b>			<b>11,916,941</b>
<b>U. S. Department of Education</b>			
Pass Through Programs From:			
Maryland State Department of Education			
Programs of the Special Education Cluster:			
Infants and Families with Disabilities	84.027	144228-02	221,079
Infants and Families with Disabilities	84.027	144228-05	238,235
Infants and Families with Disabilities	84.027	145286-01	10,012
Infants and Families with Disabilities	84.027	145286-01	173,530
Infants and Families with Disabilities	84.027	145286-01	10,000
Infants and Families with Disabilities	84.173	144228-03	8,994
Subtotal Special Education (IDEA) Cluster			661,850

**MONTGOMERY COUNTY, MARYLAND**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2014**

Federal Grantor, Pass Through Grantor, Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
<b>U. S. Department of Education (continued)</b>			
Summer Youth	84.126	135345	\$ 64,369
Infants and Families with Disabilities	84.181	134366-06	252,410
Infants and Families with Disabilities	84.181	134366-06	72,066
Infants and Families with Disabilities	84.181	134366-01	367,988
Infants and Families with Disabilities	84.181	144228-01	765,306
Race to the Top- Early Childhood Advisory Council-ARRA	84.412	145113	10,923
Maryland Family Network			
Race to the Top - Early Learning Challenge Grant-ARRA	84.412	-	33,750
<b>Total U. S. Department of Education</b>			<b>2,228,662</b>
<b>U. S. Department of Health and Human Services</b>			
Direct Programs:			
State Court Improvement Program	93.586	-	24,459
Head Start	93.600	-	4,374,841
Targeted Health Funding - Maternal and Child Health	93.994	-	586,793
Subtotal Direct Programs			4,986,093
Pass Through Programs From:			
Maryland State Office on Aging			
Special Programs for the Aging - Ombudsman Services	93.042	AAA-3-24-015	100,648
Title III, Part D - Supportive Services and Senior Centers	93.043	AAA-3-24-015	18,377
National Family Care Giver Support	93.052	AAA-3-24-015	337,928
Maryland Access Point	93.517	ADP 13-02 - MAP	17,647
Money Follows the Person - Education and Application	93.791	M00B24000380-014	86,710
Programs of the Aging Cluster:			
Title III, Part B - Supportive Services and Senior Centers	93.044	AAA-3-24-015	746,201
Title III, Part C - Nutrition Services	93.045	AAA-3-24-015	1,586,257
SR Nutrition NSIP	93.053	ST-2505-014	245,360
Subtotal Aging Cluster			2,577,818
Community Transportation Association of America			
Inclusive Coordinated Transportation Partnership Program	93.048	90TC0001/01	18,109
Maryland Family Network			
Child Care Resource and Referral Grant	93.575	-	159,342
Local Early Childhood Advisory Council	93.708	135124	41
Maryland Community Health Resources Commission			
Local Health Improvement Coalition	93.507	LHIC13-006	11,053
Maryland State Department of Human Resources			
Title IV-E Guardianship	93.090	Md. State HB 669	5,027
Family Preservation	93.556	Md. State HB 669	10,179
Title IV-B PSSF Caseworker Visits	93.556	Md. State HB 669	59,380
Programs of the Temporary Assistance for Needy Families (TANF) Cluster:			
Temporary Assistance for Needy Families	93.558	Md. State HB 669	4,775,829
Subtotal Temporary Assistance for Needy Families (TANF) Cluster			4,775,829
Title IV-D - Child Support	93.563	Md. State HB 669	445,737
Child Support Enforcement	93.563	CSEA/CRA-13-043	695,833
Low Income Home Energy Assistance	93.568	Md. State HB 669	890,353
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	964,765
Child Care and Development Fund (CCDF)	93.596	Md. State HB 669	51,159
Subtotal Child Care and Development Fund (CCDF) Cluster			1,015,924
Foster Care Title IV-E Administration	93.658	Md. State HB 669	2,313,833
Title IV-E - Adoption	93.659	Md. State HB 669	60,079
Child Abuse and Neglect	93.669	Md. State HB 669	3,431
Children Insurance Program (CHIP)	93.767	Md. State HB 669	205,007
Senior Health Insurance Counseling	93.779	ST-2515-014	65,016
Maryland State Department of Housing and Community Development			
Community Services Block Grant	93.569	DCA/OCA-10-03-013	90,750
Community Services Block Grant	93.569	DCA/OCA-10-03-013	385,715
Governor's Office of Crime Control and Prevention			
Protective Order Enforcement	93.563	VAWA-2011-1719	42,500
Georgetown University			
Programs of the Research and Development Cluster:			
Microbiology Infectious Disease Research - HIV Positive Women	93.855	RX 4335-023 MC	54,798
Microbiology Infectious Disease Research - HIV Positive Women	93.856	RX 4335-023 MC	65,065
Subtotal Research and Development Cluster			119,863

**MONTGOMERY COUNTY, MARYLAND**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2014**  
(Continued)

Federal Grantor, Pass Through Grantor, Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
<b>U. S. Department of Health and Human Services (continued)</b>			
Prince George's County			
HIV Emergency Relief	93.914	-	\$ 656,538
HIV Emergency Relief	93.914	-	1,309,264
Maryland State Department of Health and Mental Hygiene			
Centers for Disease Control and Prevention (CDCP)			
Preparedness and Emergency Response Learning Center	93.069	PRO40PHP	626,798
Tuberculosis Control	93.116	CH015TBF	306,659
PATH - Transition from Homelessness	93.150	MH1700TH	93,806
Reproductive Health/Family Planning	93.217	FH554FPG	364,709
Immunization Grants	93.268	CH354IMM	276,102
Maryland Health Benefit Exchange	93.525	01-001-13	3,986,890
Medical Assistance - Admin Care Coordination	93.767	MA020EPS	45,825
State Children Insurance Program	93.767	MA286ACM	507,890
HIV Care Formula	93.917	AD486RWS	991,277
CDC Breast & Cervical Cancer	93.919	FHC49BCC	557,861
HIV Prevention	93.940	AD348PRV	25,486
HIV Prevention	93.940	AD348PRV	549,488
Community Mental Health Services	93.958	MH234OTH	569,787
Substance Abuse Prevention and Treatment	93.959	MU525ADP	364,395
Substance Abuse Prevention and Treatment	93.959	AS241FED	1,163,216
Maryland Million Hearts	93.991	FHC28MMH	37,067
Children with Special Needs - FY14	93.994	CH501CSN	65,415
Subtotal Pass Through Programs			27,010,602
Programs of the Medicaid Cluster:			
Direct Programs:			
Nursing Home Reimbursement	93.777	-	513,244
Pass Through Programs From:			
Maryland State Department of Human Resources			
Title XIX - Certification	93.778	Md. State HB 669	5,697,385
Title XIX - Health Related Services	93.778	Md. State HB 669	591,940
Maryland State Department of Health and Mental Hygiene			
PWC Eligibility	93.778	MA286ACM	384,175
Medical Assistance - Admin Care Coordination	93.778	MA020EPS	704,730
Medical Assistance - Medicaid Transport	93.778	MA366GTS	1,763,358
Medical Assistance Program	93.778	-	3,017,468
Maryland Health Benefit Exchange	93.778	01-001-13	2,341,507
Subtotal Medicaid Cluster			15,013,807
<b>Total U. S. Department of Health and Human Services</b>			<b>47,010,502</b>
<b>Corporation for National and Community Service</b>			
Direct Programs:			
Retired and Senior Volunteer Program	94.002	-	65,199
MLK Day of Service	94.007	-	4,186
Pass Through Programs From:			
Governor's Office on Service and Volunteerism			
Maryland Volunteer Generation Fund	94.021	10 VGFM001	21,951
Maryland Volunteer Generation Fund	94.021	13 VGFM001	12,076
<b>Total Corporation for National and Community Service</b>			<b>103,412</b>
<b>U. S. Department of Homeland Security</b>			
Direct Programs:			
UASI Baltimore/NCR LINX Bonus Program	97.008	-	131,227
National Urban Search and Rescue Response System	97.025	-	125,330
National Urban Search and Rescue Response System	97.025	-	487,030
National Urban Search and Rescue Response System - Colorado Floodings	97.025	-	31,567
National Urban Search and Rescue Response System - 2013 FEMA	97.025	-	473,451
National Urban Search and Rescue Response System - Washington Mudslides	97.025	-	33,614
Assistant to Fire Fighters Grant	97.044	-	1,193,531
SAFER Grant	97.044	-	1,621,723
Subtotal Direct Programs			4,097,473
Pass Through Programs From:			
District of Columbia - Homeland Security and Emergency Management Agency			
FFY11 UASI RADIO CACHE MAINT	97.067	11UASI541-01	42,135
FFY12 UASI RADIO CACHE MAINT	97.067	12UASI541-01	227,225
FFY12 UASI E&T Grant	97.067	12UASI535-01	53,988
FFY13 UASI E&T Grant	97.067	-	131,727

**MONTGOMERY COUNTY, MARYLAND**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2014**  
(Continued)

Federal Grantor, Pass Through Grantor, Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
<b>U. S. Department of Homeland Security (continued)</b>			
FFY11 UASI LinX and RAPID Maintenance	97.067	11UASI536-01	\$ 81,339
FFY12 UASI LINX	97.067	12UASI536-01	1,505,243
FFY10 LinX MAINTENANCE	97.067	10UASI536-01	19,367
FFY12 Linx Expansion	97.067	-	359,869
FFY12 UASI School Prep	97.067	-	42,844
FFY10 UASI LinX HANDHELD SOLUTION (PHASE II)	97.067	10UASI536-02	72,079
FFY12 NIMS Compliance Officer	97.067	12UASI535-02	39,979
FY12 UASI Emergency Respiratory System	97.067	-	279,974
FFY12 Radio Microphones	97.067	-	99,882
FFY12 EMS Equipment	97.067	-	219,504
FFY13 EMS Unit Equipment	97.067	-	170,000
FFY11 Volunteer & Citizen Corps Program - MC	97.067	11UASI535-03	153,313
FFY12 Volunteer & Citizen Corps Program - MC	97.067	12UASI535-03	229,209
FFY13 Volunteer	97.067	-	13,104
UASI 2011 MD 5%	97.067	11UASI535-04	985,845
FFY12 UASI Regional Planning Grant	97.067	12UASI535-04	105,865
FRS FFY11 UASI PATIENT TRACKING SYSTEMS	97.067	11UASI541-02	163,510
FRS FFY11 UASI MMRS CONTINUATION GRANT	97.067	11UASI541-03	97,247
FRS FFY12 UASI WATER OPERATIONS	97.067	12UASI541-04	721,732
FFY12 UASI Montgomery County EOC Enhancement (MD 5%)	97.067	12UASI535-05	837,502
FFY11 UASI CAD to CAD Grant	97.067	11UASI535-06	654,968
Regional Planning Grant	97.067	-	98,478
Maryland Emergency Management Agency			
FEMA Reimbursement - Hurricane Sandy	97.036	FEMA-4091-DR-MD	1,420,595
FEMA Reimbursement - Hurricane Sandy	97.036	FEMA-4091-DR-MD	827,446
Emergency Management Preparedness	97.042	11-SR-8852	231,845
Emergency Management Preparedness	97.042	12-SR-8852	9,114
Subtotal Pass Through Programs			<u>9,894,928</u>
<b>Total U.S. Department of Homeland Security</b>			<u><b>13,992,401</b></u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><b>\$ 128,868,287</b></u>



**MONTGOMERY COUNTY, MARYLAND**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2014**

**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:

<b>Program Title</b>	<b>CFDA Number</b>	<b>Subrecipient Name</b>	<b>Amount Provided to Subrecipients</b>
Head Start	93.600	Montgomery County Public Schools	\$ 3,371,910
Infants and Toddlers (I & T)	84.027	Montgomery County Public Schools	221,079
Infants and Toddlers (I & T)	84.181	Montgomery County Public Schools	173,530
Infants and Toddlers (I & T)	84.181	Montgomery County Public Schools	72,066
Medicaid – (I & T)	93.778	Montgomery County Public Schools	319,981
Community Development Block Grant (CDBG)			
CDBG	14.218	City of Rockville	269,967
CDBG	14.218	City of Takoma Park	91,021
Workforce Investment Act (WIA)			
Workforce Solutions Group of Montgomery County, Inc. (WSGMC)			
Second Chance Grant	16.812	WSGMC	6,233
Adult Program	17.258	WSGMC	637,636
Adult Program	17.258	Latin American Youth Center	26,648
Youth Program	17.259	WSGMC	12,716
Youth Activities	17.259	Latin American Youth Center	629,230
Youth Activities	17.259	Latin American Youth Center	63,424
Youth Activities	17.259	Latin American Youth Center	39,029
Youth Summer Program	17.259	Transcen, Inc.	235,197
Dislocated Workers	17.278	WSGMC	622,548
DORS Summer Youth	84.126	WSGMC	64,369

**MONTGOMERY COUNTY, MARYLAND**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2014**

**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, 2014**

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

**Financial Statement Section**

Type of auditor’s report issued: Unmodified

	<u><b>Yes</b></u>	<u><b>No</b></u>
Internal control over financial reporting:		
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><b>Yes</b></u>	<u><b>No</b></u>
Material weakness(es) identified?		X
Significant deficiency(ies) identified not considered to be material weaknesses?		X

Type of auditor’s report on compliance for major programs: Unmodified

	<u><b>Yes</b></u>	<u><b>No</b></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><b>CFDA Number(s)</b></u>	<u><b>Name of Federal Program or Cluster</b></u>
12.600	Community Investment
14.218	Community Development Block Grant
14.239	HOME Investment Partnership Program
20.500, 20.507	Federal Transit Cluster
20.519	Clean Fuels
93.525	Affordable Care Act
93.777, 93.778	Medicaid Cluster
97.044	Assistance to Firefighters

Dollar threshold used to determine Type A programs: \$3,000,000

	<u><b>Yes</b></u>	<u><b>No</b></u>
Auditee qualified as low-risk auditee?		X

**MONTGOMERY COUNTY, MARYLAND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2014**  
(Continued)

**Part II – Financial Statement Findings Section**

None noted

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

None noted

**MONTGOMERY COUNTY, MARYLAND**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
**June 30, 2014**

**Finding No 2013-01:**

<b>Compliance Requirement:</b>	Allowable Cost and Activity (Internal Control and Compliance)
<b>Program:</b>	Community Development Block Grant
<b>CFDA:</b>	14.218
<b>Type of Finding:</b>	Significant deficiency, Noncompliance
<b>Year:</b>	2013
<b>Federal Agency:</b>	Department of Housing and Urban Development

**Condition/Context:**

We noted that 1 out of 40 program expenditures tested was not allowable in accordance with cost circular A-87. The County used federal funds to pay for an amusement park trip for students attending an academy program, which the County sponsored.

***Views of Responsible Officials and Planned Corrective Actions:***

DHCA concurs with this finding. The subject costs were incurred as part of the education program for the students as indicated by the auditors; however, while the costs were in accordance with the goal of the program, they were not in accordance to the specific guidance of the federal cost circular. To prevent future occurrences, DHCA has reviewed the OMB circular with contract administration staff to ensure that staff is fully apprised of the current interpretation of eligible expenses. Additionally, DHCA has reviewed all active contracts in keeping with this interpretation and has determined that no additional reimbursements or budget line items can be construed as "entertainment." Finally, DHCA is in the process of modifying the Public Service grants Fact Sheet and Funding Policy guidance to specifically note the ineligibility of any expenses that could be construed as "entertainment." The new procedures will be completed prior to any additional contracts being awarded starting with the third quarter of FY14. Luann Korona (240-777-3656) is in charge of ensuring that the new procedures will be followed with every new contract issued.

**Current Year Status: Resolved**

Community Development Block Grant program was selected as a major program for the current year. The County's compliance with the allowable cost and activity requirement was tested without exceptions.

**MONTGOMERY COUNTY, MARYLAND**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
**June 30, 2014**  
(Continued)

**Finding No 2013-02:**

<b>Compliance Requirement:</b>	Special Test-Quality Inspection (Internal Control and Compliance)
<b>Program:</b>	Home Investment Partnership Program
<b>CFDA:</b>	14.239
<b>Type of Finding:</b>	Significant deficiency, Noncompliance
<b>Year:</b>	2013
<b>Federal Agency:</b>	Department of Housing and Urban Development

**Condition/Context:**

Four out of 17 housing projects selected for tested were not inspected in accordance with federal compliance requirements.

***Views of Responsible Officials and Planned Corrective Actions:***

DHCA concurs with this finding. In the first quarter of FY13, DHCA identified and began to address issues related to timely housing inspections of HOME-funded units. DHCA instituted new procedures for setting up inspection case files and assigning inspections. These procedures have improved the efficiency and timeliness of inspections.

For FY14, DHCA hired an additional staff member to focus on asset management. With this added assistance, DHCA is reviewing its HOME property inspection records to ensure accuracy and to identify and correct issues with the inspection cycle. Additionally, DHCA is setting up case files on a quarterly basis, rather than monthly/bimonthly, to allow for more lead time for inspectors to schedule and conduct inspections, which will ensure timeliness of inspection in those cases where scheduling the inspection proves difficult. These new procedures will be completed and solutions implemented by the end of the third quarter of FY14. Tim Goetzinger (240-7773728) is in charge of completing the new procedures.

**Current Year Status: Resolved**

The Home Investment Partnership Program was selected as a major program for the current year. The County's compliance with quality inspection requirement was tested without exceptions.



Prepared by the:  
Department of Finance  
Division of the Controller  
101 Monroe Street  
Rockville, Maryland  
20850 240-777-8804

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, 2014, 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 17, 2014, on the County's internal control. This letter does not affect our communication dated December 17, 2014.

#### **LOANS RECEIVABLE**

The County originated loans at the department level during fiscal year 2006 that were not recorded for financial statement purposes until this fiscal year. This resulted in an immaterial understatement of loans receivable in prior fiscal years. Management informed us that this was the result of miscommunication between the departments that originate the loans and the Finance department, who is responsible for the proper recording of the loans in the basic financial statements. We recommend that management review its current procedures and consider implementing changes to ensure reconciliations are performed by the applicable agencies and provided directly to the Finance department on a periodic basis for all outstanding loans. In addition, we recommend management review documentation with the departments to ensure there are no additional loans that are unrecorded.

#### **INFORMATION TECHNOLOGY**

##### Change Control

The duties related to developing and implementing changes to Oracle 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.



## **LIQUOR INVENTORY**

The price of liquor inventory items is not consistently supported by underlying invoices. Failure to adjust inventory pricing to reflect actual costs paid could cause misstatements of amounts recorded on the financial statements. Management has indicated that they are in the process of implementing a new ERP warehouse management system in FY 2015, which will assist in the proper valuation of inventory. We recommend management record liquor items at the invoice cost to ensure price adjustments are properly accounted for in the inventory valuation.

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.

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

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
December 17, 2014




OFFICE OF THE COUNTY EXECUTIVE  
ROCKVILLE, MARYLAND 20850

Isiah Leggett  
County Executive

MEMORANDUM

March 10, 2015

TO: George Leventhal, Council President

FROM: Isiah Leggett, County Executive 

SUBJECT: Response to Management Letter from CliftonLarsonAllen LLP for the Audit of County Government Financial Statements for the Fiscal Year Ended June 30, 2014

Attached please find the Executive Branch's formal response to the management letter referenced above, which you requested in your memorandum of February 23, 2015.

We look forward to discussing the recommendations and the County's progress in implementing improvements with the Audit Committee on March 12. 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:kw

Attachment

cc: Timothy Firestine, Chief Administrative Officer  
Fariba Kassiri, Assistant Chief Administrative Officer  
Joseph F. Beach, Director, Department of Finance  
Steve Farber, Council Administrator  
George Griffin, Director, Department of Liquor Control  
Jennifer Hughes, Director, Office of Management and Budget  
Dieter Klinger, Chief Operating Officer, Department of Technology Services  
Sonny Segal, Chief Information Officer, Department of Technology Services  
Clarence J. Snuggs, Director, Department of Housing and Community Affairs

**County Response to Management Letter  
For the Audit of County Government Financial Statements  
For the Fiscal Year Ended June 30, 2014**

**1. LOANS RECEIVABLE**

**Comment and Suggestion:**

The County originated loans at the department level during fiscal year 2006 that were not recorded for financial statement purposes until this fiscal year. This resulted in an immaterial understatement of loans receivable in prior fiscal years. Management informed us that this was the result of miscommunication between the departments that originate the loans and the Finance department, who is responsible for the proper recording of the loans in the basic financial statements. We recommend that management review its current procedures and consider implementing changes to ensure reconciliations are performed by the applicable agencies and provided directly to the Finance department on a periodic basis for all outstanding loans. In addition, we recommend management review documentation with the departments to ensure there are no additional loans that are recorded.

**Response:**

The County concurs with this recommendation. The Departments of Housing and Community Affairs and Finance have implemented procedures to reconcile outstanding loans and ensure that loans are properly recorded in the year in which they occur. The loans in question were made several years before these procedures were put in place.

**2. INFORMATION TECHNOLOGY — CHANGE CONTROL**

**Comment and Suggestion:**

The duties related to developing and implementing changes to Oracle 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 concurs with this recommendation. The ERP Office has implemented procedures to monitor production activity to ensure unauthorized changes are not implemented into production and to ensure no individual can maintain complete chain of custody over the change control process. For the 13 individuals specifically identified, their roles and responsibilities will be reviewed and new roles will be defined to segregate development from production implementation, if necessary.

### 3. LIQUOR INVENTORY

#### Comment and Suggestion:

The price of liquor inventory items is not consistently supported by underlying invoices. Failure to adjust inventory pricing to reflect actual costs paid could cause misstatements of amounts recorded on the financial statements. Management has indicated that they are in the process of implementing a new ERP warehouse management system in FY 2015, which will assist in the proper valuation of inventory. We recommend management record liquor items at the invoice cost to ensure price adjustments are properly accounted for in the inventory valuation.

#### Response:

The County concurs with this recommendation. The new ERP Warehouse Management System, which was implemented February 2015 and is fully integrated with the County's ERP system, uses the first-in, first-out (FIFO) inventory valuation method.

**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, 2014, and the related notes to the financial statements, and have issued our report thereon dated December 4, 2014.

**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.

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

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
December 4, 2014



**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***

To the Trustees and Board of Directors of the  
Montgomery County Union Employees Deferred Compensation Plan  
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 Montgomery County Union Employees Deferred Compensation Plan (the Plan), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, and have issued our report thereon dated June 2, 2015.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Plan'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 Plan'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 Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
June 2, 2015



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

**SCHEDULE OF MAINTENANCE AND OPERATING  
REVENUES AND EXPENDITURES  
June 30, 2014**

## TABLE OF CONTENTS

	PAGE
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

## 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, 2014, 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.

### *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, 2014, 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, 2014 and our report thereon, dated December 17, 2014, expressed an unmodified opinion on those financial statements.

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

**CliftonLarsonAllen LLP**

Baltimore, Maryland

December 17, 2014

**MARYLAND 911 EMERGENCY NUMBER SYSTEMS PROGRAM  
MONTGOMERY COUNTY, MARYLAND  
SCHEDULE OF MAINTENANCE AND OPERATING  
REVENUES AND EXPENDITURES  
Year Ended June 30, 2014**

**REVENUES**

County fee	\$ 8,240,045
Pre-paid revenue	346,712
Interest income	<u>29,888</u>
 Total revenues	 <u>8,616,645</u>

**EXPENDITURES**

Personnel costs	8,250,052
Non-personnel costs:	
Telephone	498,257
Rent	1,098,734
Repairs	478,658
Utilities	446,424
Miscellaneous	<u>99,256</u>
 Total expenditures	 <u>10,871,381</u>

<b>OPERATING EXPENDITURES IN EXCESS OF REVENUES</b>	<b><u>\$ (2,254,736)</u></b>
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The accompanying notes are an integral part of this schedule.

**MARYLAND 911 EMERGENCY NUMBER SYSTEMS PROGRAM**  
**MONTGOMERY COUNTY, MARYLAND**  
**NOTES TO THE SCHEDULE OF MAINTENANCE AND OPERATING**  
**REVENUES AND EXPENDITURES**  
**June 30, 2014**

**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 fees 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, 2014**

**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)).

**FEDERAL TRANSIT ADMINISTRATION'S  
NATIONAL TRANSIT DATABASE  
Montgomery County, Maryland**

**INDEPENDENT ACCOUNTANT'S REPORT ON  
AGREED-UPON PROCEDURES  
June 30, 2014**



**Independent Accountant's Report  
On Applying Agreed-Upon Procedures**

The Honorable County Council  
Montgomery County, Maryland

We have performed the procedures enumerated below, which were agreed to by the County Council and management of Montgomery County, Maryland (the County) and specified in the Federal Transit Administration's (FTA) *National Transit Database 2014 Reporting Manual*, solely to assist the users in evaluating management's assertion about the County's compliance with the *Uniform System of Accounts and Records and Reporting System Final Rule*, as specified in 49 CFR Part 630, *Federal Register*, December 6, 2007, as presented in the *2014 Reporting Manual*, during the fiscal year ended June 30, 2014. 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 those 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 purpose.

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

- a. Read the procedures relating to the system for reporting and maintaining data in accordance with the National Transit Database (NTD) requirements and definitions set forth in 49 CFR Part 630, *Federal Register*, December 6, 2007, and as presented in the *2014 Reporting Manual*.

We read the procedures relating to the system for reporting and maintaining data in accordance with the National Transit Database (NTD) requirements and definitions set forth in 49 CFR Part 630, *Federal Register*, December 6, 2007, and as presented in the *2014 Reporting Manual*.

- b. Discuss the procedures, set forth in step (a) above, with the personnel assigned responsibility of supervising the preparation and maintenance of NTD data with regards to their application of these procedures, and inquire whether such procedures were followed on a continual basis, and whether these transit personnel believe such procedures results in the accumulation and reporting of data consistent with the NTD definitions and requirements set forth in 49 CFR Part 630, *Federal Register*, December 6, 2007, and as presented in the *2014 Reporting Manual*.

We discussed the procedures, set forth in step (1) above, with the personnel assigned responsibility for supervising the preparation and maintenance of the NTD data, and were informed that the County followed the procedures on a continuous basis, and that it believes such procedures result in accumulation and reporting of data consistent with the NTD definitions and requirements set forth in 49 CFR Part 630, *Federal Register*, December 6, 2007, and as presented in the *2014 Reporting Manual*.

No findings were noted.

- c. Inquire of personnel assigned responsibility for supervising the preparation and maintenance of the NTD data whether the retention policy that is followed by the County with respect to source documents supporting NTD data reported on the Federal Funding Allocation Statistics Form (FFA-10).

We inquired of the personnel assigned responsibility for supervising the preparation and maintenance of the NTD data concerning the retention policy that is followed by the County with respect to source documents supporting NTD data reported on the Federal Funding Allocation Statistics Form (FFA-10). The County follows a retention policy of at least three years for the noted documentation.

No findings were noted.

- d. Based on Inquiry of personnel assigned responsibility for supervising the preparation and maintenance of the NTD data; identify the source documents which the FTA requires the County to retain for a minimum of three years. For each type of source document, select three months out of the year and determine whether the documents exist for each of these periods, for the following modes:

- Bus Service Motorbus – Directly Operated

In performing procedures e through k, we identified source documents which the FTA requires the County to retain for a minimum of three years. We reviewed these source documents for the months of October 2013, December 2013 and May 2014.

The procedures (e-k) were applied separately to each of the information systems used to develop the reported vehicle revenue miles, passenger travel miles, and operating expenses of the County for the fiscal year ended June 30, 2014, for each of the following modes:

- Bus Service Motorbus – Directly Operated

We selected a sample of each type of source document and observed that each type of source document exists for Motorbus. We noted that in the current year, the County did not operate a Bus Service Motorbus Purchase Transportation mode.

- e. Discuss the system of internal controls with the person responsible for supervising and maintaining the NTD data. Inquire about whether individuals, independent of the preparation of the source documents and posting data summaries, review source documents and data summaries for completeness, accuracy and reasonableness, and determine the frequency of such reviews.

We discussed the system of internal controls with the person responsible for supervising and maintaining the NTD data. We inquired whether individuals, independent of those preparing the source documents and posting data summaries, reviewed the source documents and data summaries for completeness, accuracy, and reasonableness. Additionally, we inquired about the frequency of such reviews. We noted that an individual independent of preparing the source documents and posting the data summaries was responsible for reviewing the source documents and data summaries for completeness, accuracy, and reasonableness at year-end, prior to the report's submission.

No findings were noted.

- f. Select three months from the fiscal year and obtain the source documents for each mode, and determine that formal documentation of the review exists by sighting the supervisors' signature, as required by the system of internal controls. If supervisors' signatures are not required, inquire how supervisors' reviews are performed.

We selected samples of the source documents for each mode for the months of October 2013, December 2013, and May 2014. We noted that there was no formal documentation of a review on each of the month's source documents. However, per discussion with management, financial reviews as well as service information are reviewed monthly and considered in management decisions. In addition, we obtained a copy of the transmittal form that is attached to the final NTD report prior to its submission, which contains the name of the originator of the report, and is physically signed by the reviewer. We verbally confirmed with management that the Chief of Management Services and the Chief, Division of Transit Services reviews the NTD report, which is then officially submitted by the Chief, Division of Transit Services.

No findings were noted.

- g. Obtain the worksheets utilized by the County to prepare the final data that are transcribed onto the Federal Funding Allocation Statistics Form (FFA-10) from the personnel assigned responsibility for supervising the preparation and maintenance of the NTD data. Compare the periodic data included on the worksheets to the periodic summaries prepared by the County and test the arithmetical accuracy of the summaries.

We obtained the worksheets utilized by the County to prepare the final data that are transcribed onto the Federal Funding Allocation Statistics Form (FFA-10). We compared the periodic data included on the worksheets to the periodic summaries prepared by the County and we tested the arithmetical accuracy of the summaries.

During our review of the Form S-10, a supporting schedule for the FFA-10, we noted two exceptions. The County reported an incorrect amount for the total days in service and days in service for average Sundays on the Form S-10; however, this error did not result in incorrect reporting on the FFA-10.

- h. Discuss the procedures for accumulating and recording passenger miles traveled (PMT) data in accordance with NTD requirements with transit agency staff. Inquire whether the procedure is one of the methods specifically approved in the 2014 Policy Manual.

We discussed the County's procedure for accumulating and recording passenger travel mile data in accordance with NTD requirements with the County's staff. We were informed that passenger travel mile data accumulation is completed utilizing an estimate based on statistical sampling for Motorbus Directly Operated. We were informed that the County uses an alternative sampling method which is approved by a qualified statistician in writing, and meets FTA's statistical requirements.

No findings were noted.

- i. Inquire of the County's staff, the County's eligibility to conduct statistical sampling for passenger mile traveled (PMT) data every third year. Determine whether the County meets one

of the three criteria that allow transit agencies to conduct statistical samples for accumulating PMT data every third year rather than annually. The criteria for this election are as follows:

- According to Census reporting, the County serves an urbanized area of less than 500,000 in population.
- The County directly operates fewer than 100 revenue vehicles in all modes in annual maximum revenue service (in any-size urbanized area).
- The service is purchased from a seller operating fewer than 100 revenue vehicles in annual maximum revenue service, and is included in the County's NTD report.

We discussed the County's eligibility to conduct statistical sampling for passenger travel mile data every third year with the County's staff. We determined that the County does not meet any of the three criteria that would allow it to conduct statistical sampling for accumulating passenger mile traveled data every third year; therefore, the County conducts statistical sampling annually.

- j. Obtain a description of the sampling procedure for estimation of passenger mile traveled data used by the County and a copy of the County's working papers or methodology used to select the actual sample of runs for recording passenger mile traveled data.

We obtained a description of the sampling procedures for estimation of passenger travel mile data used by the County and a copy of the County's working papers and methodology used to select the actual sample of runs for recording passenger mile traveled data.

We noted that the County uses alternative sampling procedures for estimating passenger miles traveled. The procedures have been approved in writing by a qualified statistician who determined that the County's procedures meet the FTA's statistical requirements of 95% confidence rate and +/- 10% precision.

No findings were noted.

- k. Select the source documents for accumulating passenger mile traveled data for each mode for three months of the fiscal year and:
- Obtain documentation for the sample runs selected for recording passenger mile traveled data
  - Test the accuracy of 100% of the computations.

We selected a haphazard sample of source documents for accumulating passenger travel mile data for the following mode, ensured the sample items were properly documented, and tested the accuracy of the computations. Data was selected for the following:

- Motorbus Directly Operated: October 2013, December 2013, May 2014, and annual documentation.

No findings were noted.

- I. Inquire of the County's staff the procedures for systematic exclusion of charter, school bus, and other ineligible vehicle miles from the calculation of vehicle revenue miles and determine that stated procedures are followed. Obtain the source documents used to record charter and school bus mileage for three months of the fiscal year and test the arithmetical accuracy of 100% of the computations.

We discussed the procedures for the systematic exclusion of charter services and school services from the calculation of vehicle revenue miles with the County's staff. We noted that the County does not provide school or charter services. We reviewed summary schedules of vehicle revenue miles and noted that these services are excluded from the calculation.

No findings were noted.

- m. For actual vehicle revenue mile (VRM) data, document the collection and recording methodology and determine that deadhead miles are systematically excluded from the computation. This is accomplished as follows:
  - o If actual VRMs are calculated from schedules, document the procedures used to subtract missed trips. Select a random sample of the days that service is operated and re-compute the daily total of missed trips and missed VRMs. Test the arithmetical accuracy of the summarization.
  - o If actual VRMs are calculated from hubodometers, document the procedures used to calculate and subtract deadhead mileage. Select a random sample of the hubodometer readings and determine that the stated procedures for hubodometer deadhead mileage adjustments are applied as prescribed. Test the arithmetical accuracy of the summarization of intermediate accumulations.
  - o If actual VRMs are calculated from vehicle logs, select random samples of the vehicle logs and determine that the deadhead mileage has been correctly computed in accordance with FTA's definitions.

For vehicle revenue mile data, we reviewed the collection and recording methodology. We inspected the summaries of completed trips, noting that deadhead miles are systematically excluded from the computation.

No findings were noted.

- n. For rail modes (if applicable), examine the recording and accumulation sheets for vehicle revenue miles and note that locomotive miles are not included in the computation.

We noted that the County does not have a rail operation.

- o. For fixed guideway directional route miles reported, inquire of the County's staff responsible for maintaining, and reporting the NTD data whether the operations meet the FTA's definition of fixed guideway, noting that operations do meet FTA's requirements.

We noted that the County does not have a rail operation.

- p. Inquire of the measurement of fixed guideway (FG) and high intensity bus (HIB) directional route miles (DRM) with the person reporting the NTD data and determine that the mileage is computed in accordance with FTA's definitions of FG/HIB and DRM. Inquire whether there were service changes during the year that resulted in an increase or decrease in DRMs. If a service change resulted in a change in overall DRMs, re-compute the average monthly DRM's and reconcile the total to the FG/HIB DRM reported on the FFA-10 form.

We noted that the County does not have a rail operation.

- q. Inquire if any temporary interruptions in transit service occurred during the report year. If these interruptions were due to maintenance or rehabilitation improvements to a fixed guideway segment, the following apply:
- DRMs for the segment should be reported for the entire report year if the interruption is less than 12 months in duration. Obtain the S-20 form and determine the months of operations were reported as 12. Inquire with the County that a Form Note was completed describing the interruption.
  - If the improvements cause a service interruption on the FG/HIB DRMs lasting more than 12 months, inquire with the County that their validation analyst was contacted to make a determination on how the DRM's should be reported.

We noted that the County does not have a rail operation.

- r. Measure fixed guideway directional route miles from maps or by retracing route.

We noted that the County does not have a rail operation.

- s. Inquire of the County's staff responsible for reporting the NTD data whether other public transit agencies operate service over the same fixed guideway as the County and whether they are informed that while other transit agencies operate on the same fixed guideway segments as the County, no other FTA-funding recipient claims the same miles that are claimed by the County.

We noted that the County does not have a rail operation.

- t. Compare the 2013 and 2014 Fixed Guideway Segments Form (S-20) and identify any changes.

We noted that the County does not have a rail operation.

- u. Compare operating expenses on the Operating Summary Form (F-40) with audited financial data, after reconciling items are removed noting agreement of the totals.

We compared and reconciled the operating expenses on the Operating Summary Form (F-40) with the County's June 30, 2014 audited financial data and the operating expenses on Form F-30, which is a supporting schedule to Form F-40.

No findings noted.

- v. For the County's purchase of transportation services from private providers in the Demand Response – Purchase Transportation, Taxi – Demand Response – Purchase Transportation and Motorbus Directly Operated modes, obtain supporting documentation for the amount of purchased transportation-generated fare revenues, and agree the amount to the amount reported on the Contractual Relationship Identification Form (B-30), noting agreement of the totals.

We noted that the County is not required to report on the following modes:

1. Demand Response – Purchase Transportation (DR/PT)
2. Taxi – Demand Response – Purchase Transportation (DT/PT)

- w. Perform procedures e thru k over the purchase of transportation services in the Demand Response – Purchase Transportation, Taxi – Demand Response – Purchase Transportation and Motorbus Directly Operated mode data.

We noted that the County is not required to report on the following modes:

1. Demand Response – Purchase Transportation (DR/PT)
2. Taxi – Demand Response – Purchase Transportation (DT/PT)

- x. For the County's purchase of transportation services in the Demand Response – Purchase Transportation and Taxi – Demand Response – Purchase Transportation modes, obtain a copy of the purchase transportation contract and by reading the contract to determine that the contract (1) specifies the specific mass transportation services to be provided; (2) specifies the monetary consideration obligated by the County contracting for the service; (3) specifies the period covered by the contract and that this period is the same as, or a portion of the period covered by the County's NTD report; and (4) is signed by representatives of both parties to the contract. Inquire of the person responsible for maintaining the NTD data regarding the retention of the executed contracts for three years.

We noted that the County is not required to report on the following modes:

1. Demand Response – Purchase Transportation (DR/PT)
2. Taxi – Demand Response – Purchase Transportation (DT/PT)

- y. Inquire of the County's staff responsible for maintaining the NTD data regarding the procedures for allocating of statistics between urbanized areas and non-urbanized areas. Obtain worksheets, route maps, and urbanized area boundaries used for allocating the statistics to determine that the stated procedure is followed and that the computations are correct.

We inquired of the County's staff responsible for maintaining the NTD data regarding the procedures for allocating statistics between urbanized areas and non-urbanized areas. We obtained worksheets, route maps, and urbanized area boundaries used for allocating the statistics and noted that 100% of the County's operations fall within an urbanized area.

No findings were noted.

- z. Compare the data reported on the Federal Funding Allocations Statistics Form (FFA-10) to comparable data from the prior report year and calculate the percentage change from prior year to the current year. For vehicle revenue miles, passenger miles or operating expense data that increase or decrease by more than 10% and for fixed guideway directional route mile data

that increase or decrease by more than 1%, inquire of the County's management regarding the specifics of operations that led to the variances in the data.

We compared the data reported on the Federal Funding Allocations Statistics Form (FFA-10) to comparable data from the prior report year and calculated the percentage change from the prior year to the current year. For vehicle revenue miles, passenger miles or operating expense data that increased or decreased by more than 10%, we inquired of the County's management regarding the specifics of operations that led to the variances in the data. The County provided explanations for all variances noted. The County does not have a rail operation. There were no components that increased or decreased by the levels stated above.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion. 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 of the County Council and management of the County and the FTA, and is not intended to be, and should not be, used by anyone other than these specified parties.

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

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
March 17, 2015



NTD ID	30051
Reporter Name	Ride-On Montgomery County Transit
Report	2014 (Original Submission)

## Federal Funding Allocation Statistics (FFA-10)

### FFA-10 Data

	Other Form Data	Annual Total	Allocated (%)
Total VRM	12,625,068	12,625,068	100
Total VRH	993,927	993,927	100
Total PMT	99,302,508	99,302,508	100
Total UPT	26,391,571	26,391,571	100
Total OE	\$108,847,210	\$108,847,210	100
FG DRM	N/A	N/A	N/A
FG VRM	N/A	0	N/A
FG PMT	N/A	0	N/A
FG OE	N/A	N/A	N/A
NFG VRM	N/A	12,625,068	N/A
NFG PMT	N/A	99,302,508	N/A
NFG OE	N/A	\$108,847,210	N/A
FG DRM >= 7 Years @ FFYE	N/A	N/A	N/A
FG VRM >= 7 Years @ FFYE	N/A	N/A	N/A
HIB DRM >= 7 Years @ FFYE	N/A	N/A	N/A
HIB VRM >= 7 Years @ FFYE	N/A	N/A	N/A

### Selected UZA Data

UZA	Total VRM	Total VRH	Total PMT	Total UPT	Total OE	FG DRM	FG VRM	FG PMT	FG OE	NFG VRM	NFG PMT	NFG OE	SGR FG DRM	SGR FG VRM	SGR HIB DRM	SGR HIB VRM
8	12,625,068	993,927	99,302,508	26,391,571	108,847,210	0.0	0	0	0	12,625,068	99,302,508	108,847,210	0.0	0	0.0	0

**LANDFILL CLOSURE AND POST-CLOSURE COSTS**  
**Montgomery County, Maryland**

**INDEPENDENT ACCOUNTANTS' REPORT ON**  
**AGREED-UPON PROCEDURES**  
**June 30, 2014**

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 17, 2014, 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, 2014.

No exceptions noted. The June 30, 2014 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 Aa3 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, 2014.

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, 2014 and 2013, 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, 2014 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, 2014. 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 17, 2014