



Management
The Board of Education
of Montgomery County, Maryland
Rockville, Maryland

In planning and performing our audit of the financial statements of The Board of Education of Montgomery County, Maryland operating as Montgomery County Public Schools (the Board) as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Board'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 Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

However, during our audit we became aware of other matters that are an opportunity to strengthen your internal control and improve the efficiency of your operations. Our comments and suggestions regarding these matters are summarized below. We previously provided a written communication dated September 29, 2020, on the Board's internal control. This letter does not affect our communication dated September 29, 2020.

Fiduciary Fund Investments

The Board does not track and account for their fiduciary fund investments in the general ledger system. In addition, the financial statement preparation process is manual. To ensure proper reporting of the fiduciary funds and avoid delays in financial statement preparation, we recommend the Board implement a process to migrate fiduciary fund investment activity into the general ledger system.

Food Service Claims Reimbursement

Monthly claim reports are submitted to MSDE for reimbursement of meals served. There is no evidence pertaining to the identity of the preparer of the claims reimbursement report nor evidence of supervisory review. To ensure complete and accurate information is being reported, we recommend a policy be implemented regarding formal documentation of segregation of duties and supervisory review.

Independent Activity Fund Cash Collateral

A school had cash balances in excess of the \$250,000 amount covered by FDIC insurance that was not collateralized. To avoid potential losses for amounts not covered by FDIC insurance, we recommend schools transfer excess balances to the MCPS primary account to remain under the \$250,000 covered amount or obtain collateral for amounts exceeding \$250,000.

Board of Education
of Montgomery County, Maryland

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
September 29, 2020



CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Education
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 discretely presented component unit, each major fund, and the aggregate remaining fund information of The Board of Education of Montgomery County, Maryland operating as Montgomery County Public Schools (the Board), a component unit of Montgomery County, Maryland, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated September 29, 2020. The Board's financial statements include the operations of MCPS Educational Foundation, Inc. (Foundation), a discretely presented component unit. Our report, described below, did not include the operations of the Foundation because the Foundation (a component unit) engaged for its own separate audit in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board'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 Board'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 results of that testing, and not to provide an opinion on the effectiveness of the Board'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 Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Baltimore, Maryland
September 29, 2020



September 30, 2020

CliftonLarsonAllen LLP
1966 Greenspring Drive, Suite 300
Timonium, Maryland 21093

Dear CliftonLarsonAllen LLP:

Montgomery Public Schools' respectfully submits management's responses to the management letter comments for the year ended June 30, 2020.

1. Fiduciary Fund Investments

The Board does not does track and account for their fiduciary fund investments in the general ledger system. In addition, the financial statement preparation process is manual. To ensure proper reporting of the fiduciary funds and avoid delays in financial statement preparation, we recommend the Board implement a process to migrate fiduciary fund investment activity into the general ledger system.

MCPS Response

We concur. The Board will be moving into an upgraded financial system this November, and the banking activity for the Employee Benefit Plans (actives and retirees) will be integrated into the system on a monthly basis. This will allow for both bank reconciliations and reporting directly out of the general ledger system.

2. Food Service Claims Reimbursement

Monthly claim reports are submitted to MSDE for reimbursement of meals served. There is no evidence pertaining to the identity of the preparer of the claims reimbursement report nor evidence of supervisory review. To ensure complete and accurate information is being reported, we recommend a policy be implemented regarding formal documentation of segregation of duties and supervisory review.

MCPS Response

We concur. The Board has instituted a new process, beginning with the May 2020 claims. This process includes sign-off approvals from staff submitting the claim, reviewers, and the director of Food Services to assure accuracy of data submitted for reimbursement.

Division of Financial Services

3. Independent Activity Fund Cash Collateral

A school had cash balances in excess of the \$250,000 amount covered by FDIC insurance that was not collateralized. To avoid potential losses for amounts not covered by FDIC insurance, we recommend schools transfer excess balances to the MCPS primary account to remain under the \$250,000 covered amount or obtain collateral for amounts exceeding \$250,000.

MCPS Response

We concur. The Board's Internal Control Unit has notified the school that had a balance over \$250,000, and the financial manual has been updated to strengthen the language that addresses the risk of having balances in accounts over \$250,000, insured by the FDIC that are not collateralized.

Sincerely,



Robert Reilly CPA
Director

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