

**Maryland Technology Development Corporation
Baltimore, Maryland**

**SINGLE AUDIT REPORT
June 30, 2011**

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

Audit Committee
Maryland Technology Development Corporation
Baltimore, Maryland

We have audited the statements of Net Assets, Revenues, Expenses and Changes in Net Assets, and Cash Flows of the Maryland Technology Development Corporation (the Corporation), a component unit of the State of Maryland as of and for the year ended June 30, 2011, and have issued our report thereon dated August 19, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Corporation in a separate letter dated August 19, 2011.

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

Clifton Henderson LLP

Baltimore, Maryland
August 19, 2011

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

Board of Directors
Maryland Technology Development Corporation
Columbia, Maryland

Compliance

We have audited the compliance of Maryland Technology Development Corporation (the Corporation) with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Maryland Technology Development Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Corporation's management. Our responsibility is to express an opinion on the Corporation's compliance based on our audit.

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

In our opinion, the Corporation complied, in all material respects, with the 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, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with the cash management requirement, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as items 2011-01.

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as items 2011-01. *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.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Maryland Technology Development Corporation as of and for the year ended June 30, 2011, and have issued our report thereon dated August 19, 2011. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

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

Clifton Gundersen LLP

Baltimore, Maryland
August 19, 2011

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2011

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Small Business Administration		
Direct		
Technology Showcases for Sustainable Development	59.000	159,625
Research and Development Cluster		
U.S. Department of Defense		
Direct		
Joint Technology Transition Initiative (JTTI)	12.420	239,531
Fort Detrick Technology Transfer Initiative (FDTTI)	12.420	72,858
Maryland Research and Applied Sciences Coalition (MRASC)	12.420	<u>56,037</u>
Total Research and Development Cluster		368,426
U.S. Department of Justice		
Direct		
EDA (WCLF)	11.307	<u>50,000</u>
Total		<u>\$ 578,051</u>

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2011

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Maryland Technology Development Corporation (The Corporation) and is presented on the accrual basis of accounting.

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.

**MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, June 30, 2011**

I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X None

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? X Yes _____ None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? X Yes _____ No

Identification of Major Programs

Name of Federal Program or Cluster	CFDA Number(s)
Research and Development Cluster:	
Joint Technology Transition Initiative (JTTI)	12.420
Fort Detrick Technology Initiative (FDTTI)	12.420
Maryland Research and Applied Sciences Coalition (MRASC)	12.420

Total

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

**MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011**

II. Financial Statement Findings

None noted

III. Federal Awards Findings and Questioned Costs

Finding Reference: 2011-01

Federal Agency: Department of Defense (DOD)

Federal Program: Fort Detrick Technology Initiative (FDTTI)

Compliance Requirement: Cash Management

Type of Finding: Compliance and Significant Deficiency in Internal Control over Compliance

Condition

Interest earned in excess of \$250 on federal advance payments was not remitted to the federal grantor agency in accordance with the grant agreement.

The Corporation was unaware of the requirement to monitor the cumulative interest earned on advanced federal funds in order to determine if funds should be remitted to the grantor agency.

Criteria

Per OMB Circular A-133, "except for interest earned on advances of funds exempt under the Intergovernmental Cooperation Act (31 USC 6501 et seq.) and the Indian Self-Determination Act (23 USC 450), interest earned by local government and Indian tribal government grantees and subgrantees on advances is required to be submitted promptly, but at least quarterly, to the Federal agency. Up to \$100 per year may be kept for administrative expenses.

The Federal award for FDTTI also states, "The recipient shall deposit all advance payments in an interest bearing account, [and] interest over the amount of \$250 per year shall be remitted annually to the Department of Health and Human Services"

Cause

The Corporation was unaware of the requirement to monitor the cumulative interest earned on advanced federal funds in order to determine if funds should be remitted to the grantor agency.

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

Effect

The Corporation is not in compliance with Federal regulations related to cash management.

Context

FDTTI program earned \$374 on advanced federal funds. The grant award requires annual interest earned in excess of \$250 to be remitted to DHHS.

Questioned Costs

\$124 should have been remitted to the Department of Defense. This amount reflects the annual interest earned of \$374 less the \$250 federal threshold.

Recommendation

We recommend that the Corporation implement procedures and internal controls to ensure that annual interest earned in excess of \$250 is remitted to the grantor in accordance with the grantor.

Management's Response:

TEDCO remitted \$124 in earned interest via check on August 30, 2011 to the Department of Defense and has implemented procedures and internal controls to ensure that annual interest earned on federal grants in excess of \$250 will be remitted in accordance to the grantor.

**MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011**

None