

MONTGOMERY COLLEGE
Rockville, Maryland

REPORT ON SINGLE AUDIT
June 30, 2013

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORTS	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Federal Program, on Internal Control Over Compliance, and on the Schedule of Expenditures of Federal Awards In Accordance with OMB Circular A-133	3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	6
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	9
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	10
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS	13

**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 Trustees
Montgomery College
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 business-type activities, the aggregate discretely presented component unit, and the major fund of Montgomery College (the College), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated September 27, 2013. The financial statements of Montgomery College Foundation, Inc. (the Foundation) were not audited in accordance with *Government Auditing Standards* and accordingly does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the College'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 College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College'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 College'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 entity'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 entity'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
September 27, 2013



**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**

Board of Trustees
Montgomery College
Rockville, Maryland

Report on Compliance for Each Major Federal Program

We have audited Montgomery College (the College)'s 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 College's major federal programs for the year ended June 30, 2013. The College'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 College'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 College'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, the College 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, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 13-01. Our opinion on each major federal program is not modified with respect to this matter.

The College's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the College 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 College'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 College's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 13-01, that we consider to be a significant deficiency.

The College's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 business-type activities, the aggregate discretely presented component unit and each major fund of the College as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated September 27, 2013, 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditure of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

Baltimore, Maryland
November 6, 2013, except for the Schedule of Expenditures
of Federal Awards which is dated September 27, 2013

MONTGOMERY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Grant Number/Pass Through Grantor's Number	Expenditures: 7/1/2012 to 06/30/2013
U.S. DEPARTMENT OF EDUCATION			
Direct Programs			
Student Financial Aid Cluster			
Federal Pell Grant	84.063*	N/A	\$ 32,043,272
Federal TEACH Grant	84.379*	N/A	3,252
Federal Supplemental Educational Grant	84.007*	N/A	609,528
Federal Work Study	84.033*	N/A	572,537
Federal Perkins Loans	84.038*	N/A	183,185
Federal Direct Loans	84.268*	N/A	<u>18,305,133</u>
Total Student Financial Aid Cluster			51,716,907
TRIO Cluster			
Student Support Services Program	84.042A	P042A101204	227,085
Educational Opportunity Centers Program	84.066A	P066A110272	5,385
Educational Opportunity Centers Program	84.066A	P066A110272	<u>225,746</u>
Total TRIO Cluster			458,216
CCAMPIS Application	84.335A	P335A090042	118,364
Project Portal to Success in Engineering	84.116B	P116B060280	<u>34,020</u>
Total Direct Programs			<u>52,327,507</u>
Passed Through State Department of Education			
Title IC Program Improvement	84.048*	124728-01	98,542
Title IC Program Improvement	84.048*	134791-01	239,970
Child Care & Professional Development Fund	93.575	134464-01,02	<u>22,437</u>
Total Passed Through State Department of Education			<u>360,949</u>
Passed Through Maryland Department of Labor, Licensing, and Regulation			
Consolidated Adult Education & Family Literacy	84.002A	POOP3400164	<u>1,553,919</u>
Passed Through Maryland Higher Education Commission			
Maryland College Access Challenge Grant Program	84.378	MCACGP 11-101	<u>118,122</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>54,360,497</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Direct Programs			
Citizenship is For You!	97.010	2011-CS-010-000027	<u>74,331</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>74,331</u>

This schedule should be read only in connection with the accompanying notes to Schedule of Expenditures of Federal Awards.

MONTGOMERY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2013
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Grant Number/Pass Through Grantor's Number	Expenditures: 7/1/2012 to 06/30/2013
NATIONAL SCIENCE FOUNDATION			
Direct Programs			
ACCESS Engineering	47.076*	DUE-0806921	\$ 81,959
On Ramp to STEM	47.076*	DUE-1154289	51,687
Graduate and Transfer STEM Talent Expansion Program	47.076*	DUE-1161231	96,723
Teaching Pathways Opening Doors to STEM	47.076*	DUE-1239965	29,233
Total Direct Programs			<u>259,602</u>
Passed Through Prince George's County Community College			
Cyber Watch	47.076*	DUE-0902747	<u>583</u>
TOTAL NATIONAL SCIENCE FOUNDATION			<u>260,185</u>
NATIONAL INSTITUTES OF HEALTH			
Direct Programs			
Biomedical Scholars Program	93.859	5R25GM063993	<u>72,814</u>
TOTAL NATIONAL INSTITUTES OF HEALTH			<u>72,814</u>
NATIONAL ENDOWMENT FOR THE HUMANITIES			
Direct Programs			
Challenge Grant	45.130	CZ-50300	<u>25,928</u>
Passed Through American Library Association			
Let's Talk About It: Muslim Journeys	45.164	MU-50003	<u>798</u>
TOTAL NATIONAL ENDOWMENT FOR THE HUMANITIES			<u>26,726</u>
U.S. DEPARTMENT OF COMMERCE (NIST)			
Direct Programs			
Summer Undergraduate Research Fellowship-BFRL	11.609	70NANB12H087	2,895
Summer Undergraduate Research Fellowship-BFRL	11.609	70NANB13H079	<u>13,424</u>
Total Direct Programs			<u>16,319</u>
TOTAL U.S. DEPARTMENT OF COMMERCE (NIST)			<u>16,319</u>

This schedule should be read only in connection with the accompanying notes to Schedule of Expenditures of Federal Awards.

MONTGOMERY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2013
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Grant Number/Pass Through Grantor's Number	Expenditures: 7/1/2012 to 06/30/2013
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Programs			
Project Aware (SAMHSA)	93.243	SM060477-02	\$ <u>16,329</u>
Passed Through Montgomery County			
Head Start Program	93.600	8643510062-AA	<u>149,771</u>
Passed Through Maryland Department of Human Resources			
Targeted Assistance Program	93.584	FIA/TAP-11-481	135,744
Targeted Assistance Program	93.584	FIA/TAP-12-481	258,197
English as a Second Language Training Program for Refugees	93.566	FIA/ORA-11-484	74,753
English as a Second Language Training Program for Refugees	93.566	FIA/ORA-12-484	<u>217,052</u>
Total Passed Through Maryland Department of Human Resources			<u>685,746</u>
Passed Through Health Resources and Services Administration			
Health Care and Other Facilities	93.887	C76HF12918-01-01	1,020
Biotech Equipment	93.887	C76HF19604-01-00	<u>9,254</u>
Total Passed Through Maryland Department of Human Resources			<u>10,274</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>862,120</u>
U.S. DEPARTMENT OF ENERGY			
Direct Programs			
Construction Grant	81.049	DE-FG02-06CH11429	<u>82,056</u>
Passed Through the Maryland Department of Planning			
ARRA-Energy Efficiency and Conservation Block Grant	81.128	DE-EE0000743	<u>14,757</u>
TOTAL DEPARTMENT OF ENERGY			<u>96,813</u>
U.S. SMALL BUSINESS ADMINISTRATION			
Direct Programs			
Construction Grant	59.000	SBAHQ-09-I-0231	<u>149,675</u>
TOTAL U.S. SMALL BUSINESS ADMINISTRATION			<u>149,675</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 55,919,480</u>

This schedule should be read only in connection with the accompanying notes to Schedule of Expenditures of Federal Awards.

MONTGOMERY COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards has been prepared using the accrual basis of accounting as fully described in the Summary of Significant Accounting Policies accompanying the College's component unit financial statements.

NOTE 2 – REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of Montgomery College for the fiscal year ended June 30, 2013.

MONTGOMERY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2013

I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____	Yes	<u> X </u>	No
Significant deficiency(ies) identified that is (are) not considered to be a material weakness(es).	_____	Yes	<u> X </u>	None Reported
Noncompliance material to financial statements noted?	_____	Yes	<u> X </u>	No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____	Yes	<u> X </u>	No
Significant deficiency(ies) identified that is (are) not considered to be a material weakness(es).	<u> X </u>	Yes	_____	None Reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

<u> X </u>	Yes	_____	No
--------------	-----	-------	----

Identification of Major Programs

Name of Federal Program or Cluster	CFDA Number(s)
Student Financial Aid Cluster:	
Federal Pell Grant	84.063
Federal TEACH Grant	84.379
Federal Supplemental Educational Opportunity Grant	84.007
Federal Work Study	84.033
Federal Perkins Loans	84.038
Federal Direct Loans	84.268

MONTGOMERY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2013
(Continued)

Identification of Major Programs (Continued)

Name of Federal Program or Cluster				
Title IC Program Improvement				84.048
National Science Foundation				47.076
Dollar threshold used to distinguish between type A and type B programs				<u>\$300,000</u>
Auditee qualified as low-risk auditee?	<u> X </u>	Yes	<u> </u>	No

II. Findings relating to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted *Government Auditing Standards*

- 1. Significant Deficiencies in Internal Control
 - None
- 2. Compliance and Other Matters
 - None

MONTGOMERY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2013
(Continued)

III. Findings and Questioned Costs for Federal Awards – Internal Control and Compliance

Finding Reference: 13-01 – Enrollment Reporting (Loan Programs)
Federal Agency: U.S. Department of Education
Federal Program: Student Financial Aid Cluster
Compliance Requirement: Special Tests and Provisions – Enrollment Reporting
Type of Finding: Significant Deficiency in Internal Control, Noncompliance

Finding: The College incorrectly reported the enrollment status of students receiving loan funds to the National Student Loan Data System (NSLDS).

Cause: The College utilized reports based on credit hours billed, which did not reflect changes to status due to withdraw and incomplete courses.

Effect: The College is not in compliance with enrollment reporting requirements for Federal loan programs. Student loans will not properly enter repayment status for those students who withdrew or dropped below half-time status.

Context: For 37 of 40 status changes selected for testing, the student was reported as half-time or full-time status in the NSLDS but transcripts indicate that the student was less-than-half-time or withdrawn.

Criteria: All schools participating (or approved to participate) in the FSA programs must have some arrangement to report student enrollment data to the National Student Loan Data System (NSLDS) through a Roster file (formerly called the Student Status Confirmation Report or SSCR). The School is required to report changes in the student's enrollment status, the effective date of the status and an anticipated completion date. Changes in enrollment to less than half-time, graduated, or withdrawn status must be reported within 30 days. However, if a Roster file is expected within 60 days, you may provide the data on that Roster file. (34CFR section 682.610).

Questioned Costs: None

Recommendation: We recommend that the College revise its policies and procedures to correctly capture students' status when reporting to the NSLDS. We recommend that the College test the process once developed to ensure that students are being properly reported based on transcripts. Further, we recommend that the College review students' status as of the end of the prior reporting period and update its previous submissions to the NSLDS.

Corrective Action Plan: Management agrees with this internal control recommendation and has amended its report to accurately report changes to enrollment status to the National Student Loan Data System via the National Clearinghouse due to withdrawal and incomplete courses. The November, 2013 roster file to NSLDS will update all credit students enrolled at the College and any changes in status for the fall 2013 academic semester. The November report will also correct any erroneous reported changes in status previously remitted to NSLDS for the Fall 2013 semester. The process and reporting will be tested to ensure that the College is correctly reporting the enrollment status of all students. In addition, we have put into place processes and procedures to ensure accurate reporting in the future. If the U.S. Department of Education has questions regarding this plan, please call Ruby Sherman, Vice President of Finance at 240-567-1720.

MONTGOMERY COLLEGE
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2013

Finding Reference: 12-01 - Suspension and Debarment
Federal Agency: Department of Health and Human Services
Federal Program: Health Resources & Services Administration Grant - CFDA 93.887
Title IC Program Improvement – CFDA 84.048

Compliance

Requirement: Procurement and Suspension & Debarment
Type of Finding: Significant Deficiency in Internal Control, Noncompliance

Finding: The Procurement Office at Montgomery College did not properly document and maintain verification that vendors were not suspended or debarred from receiving federal funds.

Cause: The College did not include verification of suspension and debarment of potential award vendors as part of its procurement process.

Effect: The College is not in compliance with Federal suspension and debarment requirements for procurement contracts for goods and services.

Context: For 4 out of 4 vendors selected for testing, documentation that the vendors were neither suspended nor debarred was not maintained.

Criteria: Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause to the covered transaction with that entity (2CFR section 180.300).

Questioned Costs: None

Recommendation: We recommend that the College implement policies and procedures to ensure that the required suspension and debarment verifications are performed, properly documented, and maintained for vendors with contracts that are expected to equal or exceed the \$25,000 threshold.

Current Year Status: Resolved.