

**MEMORANDUM**

April 8, 2021

**TO:** Audit Committee  
**FROM:** Blaise DeFazio, Senior Legislative Analyst  
**SUBJECT:** **Briefing of Results from the FY20 External Audit and Review of SB & Company's Contract Renewal**

On April 12<sup>th</sup>, the Audit Committee will:

- Receive a briefing from SB & Company, the County Government's independent auditor, and Executive Branch staff on the results of the audits of the County Government's FY20 financial statements, the financial statements of the County Government's retirement plans, the financial statements of the Montgomery County Consolidated Retiree Health Benefits Trust, and the results of other audit-related work (Item #1), and
- Review a contract amendment to extend SB & Company's contract for an additional year (Item #2).

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

<b>Organization</b>	<b>Representative</b>
SB & Company	Graylin Smith, Managing Partner
	William Seymour, Audit Partner
	Tiana Wynn, Benefit Plans Engagement Manager
	Tobi Hollander, Audit Manager
Department of Finance	Michael Coveyou, Director
	Karen Hawkins, Chief Operating Officer
	Kim Williams, Controller
	Michael Lee, General Accounting Manager
	Mauricio Delgado, Senior Financial Specialist
Montgomery County Employee Retirement Plans	Linda Herman, Executive Director
	Yan Yan, Deputy Executive Director
	Ge Lee, Chief Financial Officer

## Item #1. Briefing on External Audit Findings

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

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

In the coming months SB & Company will complete the audit of the financial statements of the Montgomery County Union Employees Deferred Compensation Plan (MCUEDCP). The MCUEDCP closes its books on December 31<sup>st</sup> each year. Consequently, the information required to complete the audit work is not available until the beginning of the calendar year and the audit work is completed on a different schedule than the audit of the County Government's and the retirement plans' financial statements. When the audit is complete, OLO will forward the findings to the Audit Committee with an explanatory cover memo.

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

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

### A. FY20 Audit of the County Government Financial Statements

SB & Company (SB) audited the basic financial statements of the County Government and issued two reports summarizing its findings. SB did not identify any significant deficiencies or material weaknesses related to the audit of the County Government's financial statements.

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

**Independent Auditor's Report.** SB & Company issued an *Internal Auditor's Report*, bound in the County Government's FY20 Comprehensive Annual Financial Report (CAFR). This report states that SB & Company found that the County Government's financial statements present fairly, in all material respects, the financial position of the County Government. *See page 7.*

**Report on Internal Control.** The *Report on Internal Control Over Financial Reporting* recognizes any significant deficiencies or material weaknesses identified by SB & Company. For FY20, SB & Company did not identify any material weaknesses or significant deficiencies related to its audit of the County Government's financial statements. *See page 9.*

**Management Letter.** SB & Company issues a Management Letter if it identifies matters that it wants to bring to the attention of management, but the matters do not rise to the level of significant deficiencies or material weaknesses. For FY20, SB & Company did not issue a Management Letter for the audit of the County Government's financial statements.

## **B. FY20 Audit of the Montgomery County Employee Retirement Plans**

SB & Company audited the financial statements of the Montgomery County Employee Retirement Plans for the year ended June 30, 2020. In an *Independent Auditors' Report* bound in the Retirement Plans' CAFR, the auditors state that the financial statements present fairly, in all material respects, the net position of the Plans and changes in financial position for FY20. *See page 16.* SB & Company issued a *Report on Internal Control Over Financial Reporting* stating that it did not identify any significant deficiencies or material weaknesses related to its audit of the Retirement Plans' financial statements. *See page 19.* SB did not issue a Management Letter for the Retirement Plans.

## **C. FY20 Audit of the Montgomery County Consolidated Retiree Health Benefits Trust**

SB & Company audited the financial statements of the Montgomery County Consolidated Retiree Health Benefits Trust for the year ended June 30, 2020. In an *Independent Auditors' Report*, the auditors state that the financial statements present fairly, in all material respects, the net position of the Trust and changes in financial position for FY20. *See page 25.* SB & Company issued a *Report on Internal Control Over Financial Reporting* stating that it did not identify any significant deficiencies or material weaknesses related to its audit of the Trust's financial statements. *See page 27.*

## **D. Federal Single Audit**

The Federal Single Audit (also referred to as the OMB A-133 Audit) is a federally-mandated audit, typically performed by a certified public accounting firm, for entities that expend \$750,000 or more in federal funds in a year. As part of the Council's contract for audit services, the external auditor performs this work annually for the County Government. The information from this audit work is compiled in the County Government's *Report on Single Audit*, prepared annually by the Department of Finance. *See page 33.*

In FY20, the County expended \$171.6 million in federal funds (including \$39.7 million in outstanding loans). SB & Company performed testing on County Government spending related to three federal programs. In its *Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance*, related to the audit of the County Government's financial statements, SB & Company reported that it did not find any deficiencies in internal control that it considers material weaknesses or significant deficiencies. *See page 39.* In its *Independent Auditor's Report on Compliance* related specifically to the

County Government's expenditure of federal funds in FY20, SB & Company did not identify any deficiencies that it considered material weaknesses or significant deficiencies. *See page 41.* However, they did identify an area to address for internal controls over compliance. They found that the County may have incorrectly reported expenditures for one Montgomery County Fire and Rescue Service grant. *See pages 42 & 52.* The County addressed the issue by immediately having Finance's Division of the Controller prepare, approve, and submit MCFRS grant reports to granting agencies. *See page 55.*

## **E. Other Audit Work**

The subsections below summarize SB & Company's findings from other audit work performed and completed this year.

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

These agreed-upon procedures<sup>2</sup> are related to an assessment of the County Government's compliance with Federal financial assurance criteria related to local government-owned and -operated solid waste landfills. SB & Company found no exceptions as a result of the procedures they performed. *See page 33.*

### **b. Agreed-Upon Procedures – Related to the Federal Transit Administration's National Transit Database**

These agreed-upon procedures are performed to assist users in evaluating assertions by County Government management of the County Government's compliance with data recording and reporting requirements related to the Federal National Transit Database. SB & Company's report indicates that there were no unusual findings noted in the examination of County Government data and information. *See page 38.*

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

SB & Company audited the Schedule of Maintenance and Operating Revenue and Expenditures of the Maryland 9-1-1 Emergency Number Systems Program of Montgomery County (the Program) for the year ended June 30, 2020. The auditor found that the Schedule presents fairly, in all material respects, the revenue and expenditures of the Program for the year ended June 30, 2020. *See page 49.*

## **Item #2. Extension of External Audit Contract with SB & Company**

**Staff Recommendation:** **Recommend approval of a resolution authorizing the Council President to contract with SB & Company to conduct the audit of the FY21 financial statements, with no change of the current contract rates.**

The Council and SB & Company entered into Contract #184472915 for the audit of the County Government financial statements, the audit of the financial statements of the Montgomery County Employee Retirement Plans, the audit of the financial statements of the Montgomery County Consolidated Retiree Health Benefits Trust, the audit of the financial statements of the Montgomery County Union Employees Deferred Compensation Plan, and related services on April 14, 2020. The contract states that the Council may renew

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

the contract, one year at a time, for three additional one-year periods. Contract Amendment #1 will renew the contract for the first time to complete FY21 audit work. The County Attorney’s Office reviewed the amendment for form and legality. *See page 56.*

A Council resolution to authorize the Council President to contract for these audit services for the fiscal year ending June 30, 2021 and the calendar year ending December 31, 2021, is attached at page 60. If the resolution is approved by this Committee, the Council is scheduled to act on April 20, 2021.

According to the Council’s contract with SB & Company, the fees for audit services are fixed for the first two years of the contract. This renewal will be for the second year of the contract and there will be no fee changes.

The FY21 audit fees are summarized in the table below:

**SB & Company Fees Related to FY21 Audit Work**

FY21 Audit Fees	Work
	<b>Source of Funds: Independent Audit NDA</b>
\$189,100	Audit of the County Government Financial Statements and the Single Audit
\$6,800	Agreed-Upon Procedures for the National Transit Database Report
\$13,640	Audit of the Montgomery County Union Employees Deferred Compensation Plan
	<b>Source of Funds: Employees’ Retirement System, the Retirement Savings Plan, and the County’s General Fund</b>
\$32,220	Audit of the Employee Retirement Plans Financial Statements
	<b>Source of Funds: Consolidated Retiree Health Benefits Trust</b>
\$22,480	Audit of the Retiree Health Benefits Trust
	<b>Source of Funds: Solid Waste Disposal Fund</b>
\$1,980	Agreed-Upon Procedures for the Chief Financial Officer’s Annual Certification of Financial Assurance Mechanisms for Local Government Owners and Operations of Municipal Solid Waste Landfill Facilities
	<b>Source of Funds: State of Maryland Emergency Number Systems Board</b>
\$3,630	911 System Audit
<b>Total</b>	
<b>\$269,850</b>	

The following documents are attached:

	<b>Begins on</b>
<b>Audit of the County Government’s FY20 Financial Statements</b>	
Independent Auditor’s Report	7
Report on Internal Control	9
Governance Letter	11
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<b>Audit of the FY20 Financial Statements of the Montgomery County Employee Retirement Plans</b>	
Independent Auditor’s Report	16
Report on Internal Control	19
Governance Letter	21
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<b>Audit of the FY20 Financial Statements of the Consolidated Retiree Health Benefits Trust</b>	
Independent Auditor’s Report	25
Report on Internal Control	27
Governance Letter	29
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<b>FY20 Federal Single Audit</b>	
Report on Single Audit	33
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<b>Other FY20 Audit Work</b>	
Landfill Closure and Post-Closure Costs – Independent Accountant’s Report on Agreed-Upon Procedures	56
National Transit Database – Independent Accountant’s Report on Agreed-Upon Procedures	61
Maryland 9-1-1 Emergency Number Systems Program – Schedule of Maintenance and Operating Revenues and Expenditures	72
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<b>Contract Renewal</b>	
Amendment #1 to Contract #184472915	79
Resolution for Renewal of Council Contract for Audit Services	83

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Montgomery County, Maryland (the County), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Montgomery County Public Schools, Housing Opportunities Commission of Montgomery County, Montgomery College, Montgomery County Revenue Authority, and Bethesda Urban Partnership, Inc., which represents 100% of the assets, net position and revenues of the component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the County, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the

business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Other Information*

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

The combining and individual fund financial statements and supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures described above, and the reports of the other auditors, the combining and individual fund financial statements and supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Owings Mills, Maryland  
December 18, 2020

*SB + Company, LLC*



**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 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, 2020, 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 18, 2020. The County's financial statements include the financial statements of Montgomery County Public Schools, Housing Opportunities Commission of Montgomery County, Montgomery College, Montgomery County Revenue Authority, and 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 Auditing Standards* and Montgomery County Revenue Authority and Bethesda Urban Partnership, Inc. were not audited in accordance with *Government Auditing Standards*.

**Internal Controls over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County's internal controls over financial reporting (internal controls) as a basis for designing 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 County's internal controls. Accordingly, we do not express an opinion on the effectiveness of the County's internal controls.

*A deficiency in internal controls* 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 controls, 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 controls 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 controls that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal controls 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 financial statements. 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 controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal controls 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 controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Owings Mills, Maryland  
December 18, 2020

Handwritten signature in black ink that reads "SB + Company, LLC". The signature is written in a cursive, flowing style.

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

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, 2020 and have issued our report thereon dated December 18, 2020. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

## **Significant audit findings**

### ***Qualitative aspects of accounting practices***

#### **Accounting policies**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note I to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2020.

We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

#### **Accounting estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the depreciable lives of capital assets, landfill post-closure costs, allowance for uncollectible loans, claims liabilities, including incurred but not reported claims for self-insurance and health insurance, post-employment benefits (OPEB) liability and pension costs.

- Management’s estimate of the depreciable lives of capital assets is based on the implementation guides for GASB Statement No. 34 published by the *Governmental Accounting Standards Board*. We evaluated the key factors and assumptions used to estimate the useful lives for various asset classes including the depreciation of infrastructure in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management’s estimate of the liability for landfill post-closure costs is based on estimates determined by an external engineering firm, which the County continues to monitor. We evaluated the key factors and assumptions used to develop the liabilities for landfill post-closure costs in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management’s estimate of the allowance for uncollectible loans is based on loans that have met terms and conditions to be forgivable; however, the loan was not written off at year-end. We evaluated the key factors and assumptions used to develop the allowance for uncollectible loans in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management’s estimate of the claims liabilities, including incurred but not reported claims for self-insurance and health insurance, is based on computations performed by outside specialists, including actuarial computations of incurred but not reported claims that were relied upon to establish the amounts of claims liabilities under self-insurance programs. We evaluated the key factors and assumptions used to develop the claims liabilities in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management’s estimate of the other post-employment benefits (OPEB) liability is based on computations performed by outside specialists, including actuarial computations and assumptions that were relied upon to determine the Net OPEB Liability. We evaluated the key factors and assumptions used to develop the OPEB Liability in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management’s estimate of the Net Pension Liability is based on computations performed by outside specialists, including actuarial computations and assumptions that were relied upon. We evaluated the key factors and assumptions used to develop the Net Pension Liability in determining that it is reasonable in relation to the financial statements as a whole.

*Financial statement disclosures*

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

### ***Difficulties encountered in performing the audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### ***Uncorrected misstatements***

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify, and we did not notify them of any uncorrected financial statement misstatements.

### ***Corrected misstatements***

Management did not identify, and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

### ***Disagreements with management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

### ***Management representations***

We have requested certain representations from management that are included in the attached management representation letter dated December 18, 2020.

### ***Management consultations with other independent accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Significant issues discussed with management prior to engagement***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

### ***Audits of group financial statements***

We noted no matters related to the group audit that we consider to be significant to the responsibilities of those charged with governance of the group.

### ***Quality of component auditor's work***

There were no instances in which our evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work.

### ***Limitations on the group audit***

There were no restrictions on our access to information of components or other limitations on the group audit.

### ***Other information in documents containing audited financial statements***

With respect to the required supplementary information (RSI) accompanying the financial statements, identified in the table of contents, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

With respect to the schedule of expenditures of federal awards (SEFA) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the SEFA to determine that the SEFA complies with the requirements of the Uniform Guidance, the method of preparing it has not changed from the prior period or the reasons for such changes, and the SEFA is appropriate and complete in relation to our audit of the financial statements. We will compare and reconcile the SEFA to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We will issue our report in March 2021.

With respect to the combining and individual fund financial statements and supplementary schedules (collectively, the supplementary information) as defined in the table of contents, accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated December 18, 2020.

The introductory and statistical sections (the other information) accompanying the financial statements, which are the responsibility of management, were prepared for purposes of additional analysis and is not a required part of the financial statements. Such information was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we did not express an opinion or provide any assurance on it.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

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

Owings Mills, Maryland  
December 18, 2020

Handwritten signature in black ink that reads "SB + Company, LLC". The signature is written in a cursive, flowing style.

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

### **Report on the Financial Statements**

We have audited the accompanying statement of fiduciary net position of the Montgomery County Employee Retirement Plans (the Plans) as of June 30, 2020, and the related statements of changes in fiduciary net position for the year then ended and the related notes to the financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. 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 basic financial statements.

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



## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plans as of June 30, 2020, and the respective changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Plans' basic financial statements. The schedules of administrative expenses and investment expenses, the statements of fiduciary net position and changes in fiduciary net position for the Employees' Retirement System, Retirement Savings Plan and the Deferred Compensation Plan (supplementary information) and the introduction, investment, actuarial, and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2020, on our consideration of the Plans' internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the Plans' internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plans' internal controls over financial reporting and compliance.

Owings Mills, Maryland  
October 26, 2020

Handwritten signature in black ink that reads "SB + Company, LLC". The signature is written in a cursive, flowing style.

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS' ON INTERNAL CONTROLS  
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 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 Consolidated Employee Retirement Plans (the Plans), as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2020.

***Internal Controls over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Plans' internal controls over financial reporting (internal controls) 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 Plans' internal controls. Accordingly, we do not express an opinion on the effectiveness of the Plans' internal controls.

*A deficiency in internal controls* exists when the design or operation of a controls 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 controls, 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 controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal controls that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal controls 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 controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal controls 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 controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Owings Mills, Maryland  
October 26, 2020

*SB + Company, LLC*

October 26, 2020

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

We have audited the financial statements of the Montgomery County Employee Retirement Plans (the Plan) as of and for the year ended June 30, 2020 and have issued our report thereon dated October 26, 2020. Professional standards require that we advise you of the following matters relating to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated May 7, 2020, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Plans solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Plans is included in the respective Note B's to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during fiscal year 2020. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

Investments are stated at fair value. The fair value for public securities is generally based on quoted market prices at June 30, 2020. Fair value for private investment funds, including private equity, private debt and private real assets, are determined using unit values supplied by the fund managers, which are based upon the fund managers' appraisals of the funds' underlying holdings. Such values involve subjective judgment and may differ from amounts which would be realized if such holdings were actually sold. The fair value of limited partnership investments are based on valuations of the underlying assets of the limited partnerships as reported by the general partner. Cash received as collateral on securities lending transactions and investments made with such cash are stated at fair value along with a related liability for collateral received.

The actuarially calculated information was based on the assumptions and methods adopted by the Board, including an investment rate of return of 7.50% per annum compounded annually. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and contributions from the County and other participating agencies will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

### **Identified or Suspected Fraud**

We have not identified or have obtained information that indicates that the following fraud may have occurred.

### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. There were no uncorrected misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. There were no material corrected misstatements as of June 30, 2020.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Plans' financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated October 26, 2020.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the Plans, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Plans' auditors.

Owings Mills, Maryland  
October 26, 2020

*SB + Company, LLC*



## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Honorable County Council of Montgomery County, Maryland  
Board of Trustees  
Montgomery County Consolidated Retiree Health Benefits Trust

### **Report on the Financial Statements**

We have audited the accompanying statement of fiduciary net position of the Montgomery County Consolidated Retiree Health Benefits Trust (the Trust) as of June 30, 2020, the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. 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 basic financial statements.

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

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Trust as of June 30, 2020, and the respective changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

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

### *2019 Financial Information*

The financial statements of the Trust as of June 30, 2019, were audited by another auditor who expressed an unmodified opinion on those financial statements in their report dated October 29, 2019.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2020, on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the Trust's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

Owings Mills, Maryland  
September 28, 2020

*SB + Company, LLC*

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS' 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 Trustees  
Montgomery County Consolidated Retiree Health Benefits Trust

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, statement of fiduciary net position of the Montgomery County Consolidated Retiree Health Benefits Trust (the Trust) as of June 30, 2020, the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 28, 2020.

***Internal Control over Financial Reporting***

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

Owings Mills, Maryland  
September 28, 2020

*SB + Company, LLC*

September 28, 2020

Board of Trustees  
Montgomery County Consolidated Retiree Health Benefit Trust  
Rockville, Maryland

We have audited the financial statements of the Montgomery County Consolidated Retiree Health Benefit Trust (the Trust) as of and for the year ended June 30, 2020 and have issued our report thereon dated September 28, 2020. Professional standards require that we advise you of the following matters relating to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated May 7, 2020, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal controls over financial reporting as a basis for designing 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 controls over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Trust solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal controls.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

## **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Trust is included in Note B to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during fiscal year 2020. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

Investments are stated at fair value. The fair value for public securities is generally based on quoted market prices as of June 30, 2020. Fair value for private investment funds, including private equity and private real assets, is determined using net asset values supplied by the fund managers, which are based upon the fund managers' valuations of the funds' underlying holdings. Such values involve subjective judgment and may differ from amounts which would be realized if such holdings were actually sold. The fair value of limited partnership investments is based on valuations of the underlying assets of the limited partnerships as reported by the general partner. Cash received as collateral on securities lending transactions and investments made with such cash are reported at fair value along with a related liability for collateral received.

The actuarially calculated information was based on the assumptions and methods adopted by the Board, including an expected investment rate of return of 7.50% per annum compounded annually. The discount rate was a Single Discount Rate (SDR) of

5.68%. The SDR is required when assets are not projected to be sufficient to meet future benefit obligations. The SDR reflects (1) the expected investment rate of return on pension plan investments during the period in which the fiduciary net position is projected to be sufficient to pay benefits and (2) a tax-exempt municipal bond rate based on a bond buyers general obligation 20 year municipal bond index as of the measurement (June 30, 2020), to the extent that the contributions for use with the long-term expected rate of return are not met.

#### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

#### **Identified or Suspected Fraud**

We have not identified or have obtained information that indicates that the following fraud may have occurred.

#### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

#### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. There were no uncorrected misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. There were no material corrected misstatements as of June 30, 2020.

#### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a

financial accounting, reporting, or auditing matter, which could be significant to the Trust's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated September 28, 2020.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the Trust, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Trust's auditors.

*SB + Company, LLC*

Owings Mills, Maryland  
September 28, 2020



**MONTGOMERY COUNTY, MARYLAND**

**Single Audit Together with  
Reports of Independent Public Accountants**

**For the Year Ended June 30, 2020**

**JUNE 30, 2020**

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## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

### **Report on the Financial Statements**

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, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Montgomery County Public Schools, Housing Opportunities Commission of Montgomery County, Montgomery College, Montgomery County Revenue Authority, and Bethesda Urban Partnership, Inc., which represents 100% of the assets, net position and revenues of the component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the County, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Bethesda Urban Partnership, Inc. were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory and statistical sections, combining and individual fund financial statements, supplementary schedules, and the Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, supplementary schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures described above, and the reports of the other auditors, the combining and individual fund financial statements, supplementary schedules and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2020, on our consideration of the County's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal controls over financial reporting and compliance.

Owings Mills, Maryland  
December 18, 2020



**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL CONTROLS  
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 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, 2020, 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 18, 2020. Our report includes references to other auditors who audited the financial statements of Montgomery County Public Schools, Housing opportunities Commission of Montgomery County, Montgomery College, Montgomery County Revenue Authority, and Bethesda Urban Partnership Inc., as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal controls over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Controls over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County's internal controls over financial reporting (internal controls) 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 County's internal controls. Accordingly, we do not express an opinion on the effectiveness of the County's internal controls.

*A deficiency in internal controls* 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 controls, 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 controls 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 controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal controls 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 controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Owings Mills, Maryland  
December 18, 2020

Handwritten signature in black ink that reads "SB + Company, LLC". The signature is written in a cursive, flowing style.

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROLS OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

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's) compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) 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, 2020. The County's major Federal programs are identified in the Summary of Independent Public Accountant's Results section of the accompanying Schedule of Findings and Questioned Costs.

The County's basic financial statements include the operations of Montgomery County Public Schools, Housing Opportunities Commission of Montgomery County, Montgomery College, and Montgomery County Revenue Authority, which received Federal awards that are not included in the accompanying Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of this entity because auditors were engaged to perform a separate audit in accordance with the Uniform Guidance.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's 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 compliance audit 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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.



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, 2020.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001. Our opinion on each major Federal program is not modified with respect to these matters.

The County's responses to the noncompliance findings identified in our audit are described in Section V – Corrective Action Plans. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### **Report on Internal Controls over Compliance**

Management of the County is responsible for establishing and maintaining effective internal controls over compliance with the types of compliance requirements referred to above. In planning and performing our compliance audit, we considered the County's internal controls over compliance with the types of requirements that could have a direct and material effect on each major Federal program as a basis for designing 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 controls over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal controls over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal controls over compliance.

*A deficiency in internal controls 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 controls 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 controls over compliance* is a deficiency, or a combination of deficiencies, in internal controls over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal controls over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls 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 controls over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal controls over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal controls over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001, that we consider to be deficiencies.

The County's response to the internal controls over compliance findings identified in our audit is described in Section V – Corrective Action plans. The County'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 controls over compliance is solely to describe the scope of our testing of internal controls over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Owings Mills, Maryland  
March 12, 2021

Handwritten signature in black ink that reads "SB + Company, LLC". The signature is written in a cursive, flowing style.

Grant Title	Federal CFDA Number	Pass Through Agency	Federal/Pass Through State Grant Number	Total Federal Expenditures	Passed Through to Subrecipients
<b>Department of Agriculture:</b>					
SNAP Cluster -					
State Administrative Matching Grant for Food Stamps	10.561	Maryland Department of Human Services	Md. State HB 669	\$ 8,773,843	\$ -
<i>Total SNAP Cluster</i>				8,773,843	-
<b>Total Department of Agriculture</b>				8,773,843	-
<b>Department of Defense - Office of Economic Adjustment:</b>					
Maryland Crossing Route 355	12.600	Direct	Unknown	15,978,053	-
<b>Total Department of Defense</b>				15,978,053	-
<b>Department of Housing and Urban Development:</b>					
CDBG Entitlement Grants Cluster -					
Community Development Block Grant (CDBG)	14.218	Direct	Unknown	4,910,812	399,609
<i>Total CDBG - Entitlement Grants Cluster</i>				4,910,812	399,609
Emergency Solutions Grant Program	14.231	Direct	Unknown	630,461	-
Balance of Outstanding Loans as of 06/30/2020	14.239	Direct	Unknown	39,698,364	-
Home Investment Partnerships Program	14.239	Direct	Unknown	218,622	-
Continuum of Care Homeless Assistance Competition	14.267	Direct	Unknown	293,763	-
Housing for People with AIDS (HOPWA)	14.241	Maryland Department of Health	AD698HOP	1,093,264	-
Homeless Management Information Capacity Building	14.261	Maryland Department of Health	MD0431H3G011800	1,150	-
<b>Total Department of Housing and Urban Development</b>				46,846,436	399,609
<b>Department of Justice:</b>					
DNA Backlog Award	16.741	Direct	2018-DN-BX-0110	129,067	-
Pol Paul Coverdell Award	16.742	Direct	CFSL-2018-0002	21,676	-
Victim Assistance Services (VOCA)	16.575	Governor's Office of Crime Control and Prevention	VOCA-2017-0017	27,229	-
Victim Assistance Services (VOCA)	16.575	Governor's Office of Crime Control and Prevention	VOCA-2017-0031	30,623	-
Victim Assistance Services (VOCA)	16.575	Governor's Office of Crime Control and Prevention	VOCA-2017-0037	76,820	-
Victim Assistance Services (VOCA)	16.575	Governor's Office of Crime Control and Prevention	VOCA-2018-0025	109,532	-
Victim Assistance Services (VOCA)	16.575	Governor's Office of Crime Control and Prevention	VOCA-2018-0049	237,920	-
Victim Assistance Services (VOCA)	16.575	Governor's Office of Crime Control and Prevention	VOCA-2018-0113	272,031	-
Victim Assistance Services (VOCA)	16.575	Governor's Office of Crime Control and Prevention	Unknown	6,835	-
Lethality Assessment Advocate	16.588	Governor's Office of Crime Control and Prevention	VAWA-2018-0021	4,068	-
Lethality Assessment Advocate	16.588	Governor's Office of Crime Control and Prevention	VAWA-2019-0002	42,000	-
Lethality Assessment Advocate	16.588	Governor's Office of Crime Control and Prevention	VAWA-2019-0008	54,917	-
LETS Training	16.738	Governor's Office of Crime Control and Prevention	BJNT-2016-0011	520	-
Technology Upgrades	16.738	Governor's Office of Crime Control and Prevention	BJAG-2016-0020	15,735	-
Juvenile Case Management	16.738	Governor's Office of Crime Control and Prevention	BJAG-2016-0057	25,000	-
<b>Total Department of Justice</b>				1,053,973	-
<b>Department of Transportation:</b>					
FFY16 Hazardous Materials	20.703	Maryland Department of Transportation	17-GA 8852-05	9,000	-
<b>Total Department of Transportation</b>				9,000	-
<b>Department of the Treasury:</b>					
Coronavirus Relief Fund (CARES)	21.019	Direct	Unknown	27,685,228	1,640,000
<b>Total Department of the Treasury</b>				27,685,228	1,640,000
<b>Institute of Museum and Library Services:</b>					
Staff Development Grant	45.310	Maryland State Library	520116	4,785	-
<b>Total Institute of Museum and Library Services</b>				4,785	-

Grant Title	Federal CFDA Number	Pass Through Agency	Federal/Pass Through State Grant Number	Total Federal Expenditures	Passed Through to Subrecipients
<b>Department of Education:</b>					
Special Education (IDEA) Cluster -					
Infants and Families with Disabilities	84.027	Maryland State Department of Education	SG-200409	\$ 615,256	\$ -
Infants and Families with Disabilities	84.173A	Maryland State Department of Education	SG-200408	59,749	-
<i>Total Special Education (IDEA) Cluster</i>				675,005	-
Infants and Families with Disabilities	84.181A	Maryland State Department of Education	170244		
Infants and Families with Disabilities	84.181A	Maryland State Department of Education	SG164726	13,435	-
Infants and Families with Disabilities	84.181A	Maryland State Department of Education	190206	53,504	-
Infants and Families with Disabilities	84.181A	Maryland State Department of Education	SG-200410 & 191700	1,480,215	-
Infants and Families with Disabilities	84.287C	Maryland State Department of Education	191665	145,344	-
<b>Total Department of Education</b>				<b>2,367,503</b>	<b>-</b>
<b>Department of Health and Human Services:</b>					
Systems of Care	93.104	Direct	1H79SM063396-02M001	200,000	-
Systems of Care	93.104	Direct	2002830	983,802	-
Head Start	93.600	Direct	03CH9990-04-00	8,949	-
Head Start	93.600	Direct	03CH9990-05-00	4,330,215	3,986,780
Head Start	93.600	Direct	03CH9990-05-00	583,016	-
<i>Aging Cluster -</i>					
Title III, Part B - Supportive Services and Senior Centers	93.044	Maryland Department of Aging	AAA-14/FY19	211,443	-
Title III, Part B - Supportive Services and Senior Centers	93.044	Maryland Department of Aging	AAA-14/FY20	665,511	-
Title III, Part C - Nutrition Services	93.045	Maryland Department of Aging	650220/14	44,720	-
Title III, Part C - Nutrition Services	93.045	Maryland Department of Aging	AAA-14/FY19	722,136	-
Title III, Part C - Nutrition Services	93.045	Maryland Department of Aging	AAA-14/FY20	1,117,836	-
Title III, Part C - Nutrition Services	93.045	Maryland Department of Aging	Unknown	141,650	-
Title III, Part C - Nutrition Services	93.053	Maryland Department of Aging	Unknown	19,832	-
Nutrition Service Incentive Program	93.053	Maryland Department of Aging	650519/14	105,288	-
Nutrition Service Incentive Program	93.053	Maryland Department of Aging	650520/14	205,228	-
<i>Total Aging Cluster</i>				3,233,644	-
Special Programs for the Aging - Ombudsman Services	93.041	Maryland Department of Aging	AAA-14/FY19	18,450	-
Special Programs for the Aging - Ombudsman Services	93.041	Maryland Department of Aging	AAA-14/FY20	62,999	-
Title III, Part D - Supportive Services and Senior Centers	93.043	Maryland Department of Aging	AAA-14/FY18	80	-
Title III, Part D - Supportive Services and Senior Centers	93.043	Maryland Department of Aging	AAA-14/FY19	10,943	-
Title III, Part D - Supportive Services and Senior Centers	93.043	Maryland Department of Aging	AAA-14/FY20	17,325	-
Assistive Technology Grant	93.048	Maryland Department of Aging	65242020/14	14,651	-
Assistive Technology Grant	93.048	Maryland Department of Aging	90NWP0007-02-02	1,818	-
Senior Medicare Patrol	93.048	Maryland Department of Aging	APD 19-07-MAP	249	-
Title III, Part E (National Family Care Giver Support)	93.052	Maryland Department of Aging	652019/14	191,431	-
Title III, Part E (National Family Care Giver Support)	93.052	Maryland Department of Aging	652020/14	262,776	-
Medicare Improvement for Patients & Providers (MIPPA)	93.071	Maryland Department of Aging	653719/14	20,419	-
State Health Insurance Assistance Program	93.324	Maryland Department of Aging	651520/14	80,583	-
Temporary Assistance for Needy Families (TANF) Cluster -					
Temporary Assistance for Needy Families	93.558	Maryland Department of Human Services	Md. State HB 669	4,532,270	-
<i>Total Temporary Assistance for Needy Families (TANF) Cluster</i>				4,532,270	-
<i>Child Care and Development Fund (CCDF) Cluster -</i>					
Preschool Development Birth to Five	93.434	Maryland State Department of Education	SG-200530	25,000	-
Preschool Development Birth to Five	93.434	Maryland State Department of Education	SG-200536	44,124	-
Early Childhood Mental Health Consultation For Children Birth to Five	93.575	Maryland State Department of Education	190469	6,198	-
Early Childhood Mental Health Consultation For Children Birth to Five	93.575	Maryland State Department of Education	SG-200532	148,500	-
<i>Total Child Care and Development Fund (CCDF) Cluster</i>				223,822	-

Grant Title	Federal CFDA Number	Pass Through Agency	Federal/Pass Through State Grant Number	Total Federal Expenditures	Passed Through to Subrecipients
<b>Department of Health and Human Services: (continued)</b>					
Medicaid Cluster -					
Nursing Home Reimbursement	93.777	Maryland Department of Human Services	Unknown	\$ 713,604	\$ -
Title XIX - Certification	93.778	Maryland Department of Human Services	Md. State HB 669	5,037,114	-
Title XIX - Health Related Services	93.778	Maryland Department of Human Services	Md. State HB 669	292,722	-
Federal Financial Participation - Title XIX	93.778	Maryland Department of Human Services	Unknown	6,154,574	-
Federal Financial Participation - Title XIX	93.778	Maryland Department of Human Services	Unknown	6,692,289	-
Federal Financial Participation - Title XIX	93.778	Maryland Department of Human Services	Unknown	3,037,826	-
Medical Assistance - Medicaid Transport	93.778	Maryland Department of Health	MA366GTS	1,519,661	-
Parents with Children Eligibility (PWC)	93.778	Maryland Department of Health	MA286ACM	1,722,034	-
Administrative Care Coordination	93.778	Maryland Department of Health	MA020EPS	428,494	-
ACCESS Harm Reduction Grant	93.778	Maryland Department of Health	AD793AHR-F810N	151,057	-
SOR MAT in Jail	93.778	Maryland Department of Health	BH237SUP-F756N	40,201	-
MD HLTH - ST	93.778	Maryland Health Benefit Exchange	Unknown	669,532	-
I & T - Clig - Medicaid	93.778	Maryland State Department of Education	Unknown	2,549,663	-
<i>Total Medicaid Cluster</i>				29,008,771	-
Title IV-E Guardianship	93.090	Maryland Department of Human Services	Md. State HB 669	656	-
Title IV-D - Child Support	93.563	Maryland Department of Human Services	Md. State HB 669	28,898	-
Child Support Enforcement	93.563	Maryland Department of Human Services	CSA/CRA-19-043	583,651	-
Low Income Home Energy Assistance	93.568	Maryland Department of Human Services	Md. State HB 669	1,125,817	-
Promoting Safe and Stable Families	93.556	Maryland Department of Human Services	Md. State HB 669	80,617	-
Foster Care Title IV-E Administration	93.658	Maryland Department of Human Services	Md. State HB 669	2,803,293	-
Title IV-E - Adoption	93.659	Maryland Department of Human Services	Md. State HB 669	67,400	-
Child Abuse and Neglect	93.669	Maryland Department of Human Services	Md. State HB 669	5,199	-
Children Insurance Program (CHIP)	93.767	Maryland Department of Human Services	Md. State HB 669	311,613	-
Public Health Emergency Preparedness	93.069	Maryland Department of Health	CH822PHP	659,271	-
Tuberculosis Control	93.116	Maryland Department of Health	CH015TBF	179,490	-
PATH - Transition from Homelessness	93.150	Maryland Department of Health	MH170OTH	110,804	-
Immunization Cooperative Agreements	93.268	Maryland Department of Health	CH354IMM	329,792	-
Administrative Care Coordination	93.767	Maryland Department of Health	MA020EPS	85,698	-
Parents with Children Eligibility (PWC)	93.767	Maryland Department of Health	MA286ACM	269,449	-
HIV Care Formula	93.917	Maryland Department of Health	AD486RWS	1,237,154	-
Ryan White B Supplemental	93.917	Maryland Department of Health	AD804SUP	599,539	-
HIV Prevention Activities Health Department Based	93.940	Maryland Department of Health	AD348PRV	507,957	-
Sexually Transmitted Disease	93.940	Maryland Department of Health	CH632STD	110,602	-
Community Mental Health Services	93.958	Maryland Department of Health	MH234OTH	551,956	-
Overdose Misuse Prevention	93.959	Maryland Department of Health	MU011OMP	82,044	-
Prevention and Treatment of Substance Abuse	93.959	Maryland Department of Health	MU525ADP	382,342	-
Prevention and Treatment of Substance Abuse	93.959	Maryland Department of Health	AS241FED	515,568	-
Integration of Sexual Health & Recovery	93.959	Maryland Department of Health	AD680INT	48,518	-
HIV Testing in BH	93.959	Maryland Department of Health	AD724TBH	61,427	-
Targeted Health Funding - Maternal and Child Health	93.994	Maryland Department of Health	Unknown	586,793	-
Children with Special Needs - FY20	93.994	Maryland Department of Health	CH501CSN	77,075	-
Early Detect & Control Breast.	93.898	Maryland Department of Health	FH438CBC F676N	340,328	-
Research and Development Cluster -					
Microbiology Infectious Disease Research - HIV Positive Women	93.855	Georgetown University	U01AI034994-24S1	89,743	-
Microbiology Infectious Disease Research - HIV Positive Women	93.855	Georgetown University	Unknown	23,083	-
<i>Total Research and Development Cluster</i>				112,826	-

Grant Title	Federal CFDA Number	Pass Through Agency	Federal/Pass Through State Grant Number	Total Federal Expenditures	Passed Through to Subrecipients
<b>Department of Health and Human Services: (continued)</b>					
Community Services Block Grant - FY19	93.569	Maryland Department of Housing and Community Development	Unknown	\$ 98,883	\$ -
Community Services Block Grant - FY20	93.569	Maryland Department of Housing and Community Development	Unknown	455,854	-
Comp Domestic Violence Svcs	93.671	Governor's Office of Crime Control and Prevention	FVPS-2019-0004	189,755	-
Ebola Subgrant Award	93.817	Maryland Institute for Emergency Medical Services Systems	EMSHCID-002	14,625	-
<b>Total Department of Health and Human Services</b>				<b>56,401,107</b>	<b>3,986,780</b>
<b>Corporation for National and Community Service:</b>					
Retired and Senior Volunteer Program	94.002	Direct	18SRAMD004	65,132	-
MLK Grant	94.014	Direct	19MKHMDC001	40,908	-
<b>Total Corporation for National and Community Service</b>				<b>106,040</b>	<b>-</b>
<b>Department of Homeland Security:</b>					
FY20 Hurricane Dorian	97.025	Direct	EMW-2018-CA-0053-S01	999,999	-
FY20 Tropical Storm Barry	97.025	Direct	EMW-2018-CA-USR-0015	9,773	-
HURRICANE HARVEY	97.025	Direct	82817	28,139	-
FRS 2019 FEMA US&R GRANT	97.025	Direct	EMW-2019-CA-00082-S01	647,782	-
FRS 2018 FEMA US&R GRANT	97.025	Direct	EMW-2018-CA-0053	352,783	-
FRS 2017 FEMA US&R GRANT	97.025	Direct	EMW-2017-CA-00078-S01	107,497	-
FRS 2015 FEMA US&R GRANT	97.025	Direct	EMW2015CA00012S01	20,888	-
FRS 2016 FEMA US&R GRANT	97.025	Direct	EMW-2016-CA-00029	287,050	-
FRS FY16 SAFER GRANT	97.083	Direct	EMW-2016-FH-00482	482,527	-
FFY17 SWAT	97.067	DC - Homeland Security and Emergency Management Agency	17UASI535-08	419,356	-
FFY17 Remote Awareness	97.067	DC - Homeland Security and Emergency Management Agency	17UASI535-09	32,257	-
FFY17 Generators	97.067	DC - Homeland Security and Emergency Management Agency	17UASI535-10	50,000	-
FFY17 Disaster Recovery	97.067	DC - Homeland Security and Emergency Management Agency	17UASI535-11	55,465	-
FFY17 Emergency Vehicle	97.067	DC - Homeland Security and Emergency Management Agency	17UASI535-17	51,837	-
FFY17 Tacticle	97.067	DC - Homeland Security and Emergency Management Agency	17UASI535-18	462,989	-
FFY17 Radio Cache	97.067	DC - Homeland Security and Emergency Management Agency	17UASI535-19	2,000,000	-
FFY18 Regional Preparedness	97.067	DC - Homeland Security and Emergency Management Agency	18UASI535-01	288,351	-
FFY18 Volunteers	97.067	DC - Homeland Security and Emergency Management Agency	18UASI535-02	168,763	-
FFY18 LinX	97.067	DC - Homeland Security and Emergency Management Agency	18UASI535-03	1,090,943	-
FFY18 Volunteers	97.067	DC - Homeland Security and Emergency Management Agency	18UASI535-04	110,741	-
FFY18 TECC Kits	97.067	DC - Homeland Security and Emergency Management Agency	18UASI535-05	816	-
FFY18 LinX	97.067	DC - Homeland Security and Emergency Management Agency	18UASI535-06	78,371	-
FFY18 Radio Cache	97.067	DC - Homeland Security and Emergency Management Agency	18UASI535-07	25,956	-
FFY18 Medical Resource	97.067	DC - Homeland Security and Emergency Management Agency	18UASI535-08	22,936	-
FFY18 Emergency Management	97.067	DC - Homeland Security and Emergency Management Agency	18UASI535-10	76,346	-
FFY18 Unmanned Aerial	97.067	DC - Homeland Security and Emergency Management Agency	18UASI535-11	122,044	-
FFY18 Incident Command MDERS	97.067	DC - Homeland Security and Emergency Management Agency	18UASI535-12	272,017	-
FFY18 Tactical Equipment	97.067	DC - Homeland Security and Emergency Management Agency	18UASI535-13	62,381	-
FFY18 FRS Operations	97.067	DC - Homeland Security and Emergency Management Agency	18UASI535-14	149,959	-
FFY18 EOC Planning & Exercises	97.067	DC - Homeland Security and Emergency Management Agency	18UASI535-15	149,549	-
FFY18 EOC Upgrades & Field Op	97.067	DC - Homeland Security and Emergency Management Agency	18UASI535-16	49,861	-
FFY18 Radio Cache	97.067	DC - Homeland Security and Emergency Management Agency	18UASI535-17	2,199,310	-
2019 Regional Preparedness	97.067	DC - Homeland Security and Emergency Management Agency	19UASI535-01	342,339	-
2019 Volunteer	97.067	DC - Homeland Security and Emergency Management Agency	19UASI535-02	15,855	-

Grant Title	Federal CFDA Number	Pass Through Agency	Federal/Pass Through State Grant Number	Total Federal Expenditures	Passed Through to Subrecipients
<b>Department of Homeland Security: (continued)</b>					
2019 LinX	97.067	DC - Homeland Security and Emergency Management Agency	19UASI535-03	\$ 46,132	\$ -
2019 Radio Cache	97.067	DC - Homeland Security and Emergency Management Agency	19UASI535-04	5,372	-
2019 Unmanned Aerial Systems	97.067	DC - Homeland Security and Emergency Management Agency	19UASI535-08	8,012	-
2019 Tactical Equip for LE	97.067	DC - Homeland Security and Emergency Management Agency	19UASI535-11	121,247	-
2019 Disaster Recovery Plan	97.067	DC - Homeland Security and Emergency Management Agency	19UASI535-12	28,764	-
2019 Program Administration	97.067	DC - Homeland Security and Emergency Management Agency	19UASI535-13	26,628	-
Emergency Management Performance	97.042	Maryland Emergency Management Agency	19-SR-8852-02	261,792	-
Emergency Management Performance	97.042	Maryland Emergency Management Agency	20-SR-8852-01	135,634	-
State Homeland Security Grant Program	97.067	Maryland Emergency Management Agency	18-SR8852-02	203,548	-
FFY18-Baltimore Linx- Law -MEMA Grant	97.067	Maryland Emergency Management Agency	18-SR 8852-04	100,000	-
2019 SHSP	97.067	Maryland Emergency Management Agency	19-SR8852-01	117,172	-
2019 UASI Linx Baltimore	97.067	Maryland Emergency Management Agency	19-SR8852-04	100,000	-
<b>Total Department of Homeland Security</b>				12,389,181	-
<b>Total Expenditures of Federal Awards</b>				\$ 171,615,149	\$ 6,026,389

## 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 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 presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements. Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the grant programs noted below. These programs represent Federal award programs for fiscal year 2020 cash and non-cash expenditures to ensure coverage of at least 20% of Federally granted funds. Actual coverage is 70% of total cash and non-cash Federal award program expenditures.

Federal Department / Grant Title	CFDA Number	Federal Expenditures
<b>U.S. Department of Defense</b>		
Maryland Crossing Route 355	12.600	\$ 15,978,053
<b>U.S. Department of Housing and Urban Development</b>		
CDBG - Entitlement Grants Cluster	14.218	4,910,812
Home Investment Partnerships Program	14.239	39,916,986
<b>U.S. Department of Treasury</b>		
Coronavirus Relief Fund (CARES)	21.019	27,685,228
<b>U.S. Department of Health and Human Services</b>		
Medicaid Cluster	93.777/93.778	29,008,771
<b>U.S. Department of Homeland Security</b>		
National Urban Search and Rescue (US&R) Response System	97.025	2,453,911
		<u>\$ 119,953,761</u>

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.

## 2. 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 the Uniform Guidance, are presented in the Schedule.



### **3. MARYLAND STATE DEPARTMENT OF EDUCATION (MSDE)**

MSDE awarded grants from two different Federal agencies. The total Federal expenditures passed-through MSDE for the year ended June 30, 2020 was \$5,140,988. The expenditures are presented in the Schedule under the Department of Education (CFDA numbers 84.027, 84.173A, 84.181A, 84.287C) and the Department of Health and Human Services (CFDA numbers 93.434, 93.575, 93.778).

### **4. INDIRECT COST**

The County did not elect to use the 10-percent de minimis cost rate for indirect costs.

## Section I – Summary of Independent Public Accountant’s Results

### Financial Statements

Type of Independent Public Accountants’ report issued:	Unmodified
Internal controls over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies?	None reported
Noncompliance material to financial statements?	No

### Federal Awards

Type of Independent Public Accountants’ report issued on compliance for major program:	Unmodified
Internal controls over major program:	
Material weakness(es) identified?	No
Significant deficiencies?	No
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a) of the Uniform Guidance?	Yes

### Identification of Major Programs:

Major Programs	Federal CFDA Number	Federal Expenditures
<b>U.S. Department of Defense</b>		
Community Investment	12.600	\$ 15,978,053
<b>U.S. Department of Housing and Urban Development</b>		
CDBG Cluster	14.218	4,910,812
Home Investment Partnerships Program	14.239	39,916,986
<b>U.S. Department of Treasury</b>		
Coronavirus Relief Funding (CARES)	21.019	27,685,228
<b>U.S. Department of Health and Human Services</b>		
Medicaid Cluster	93.777/93.778	29,008,771
<b>U.S. Department of Homeland Security</b>		
National Urban Search and Rescue (US&R) Response System	97.025	2,453,911
		\$ 119,953,761
Threshold for disinguishing between Type A and B programs		\$ 3,000,000
Did the County qualify as a low risk auditee?		Yes

## **Section II - Financial Statement Findings**

None noted.

### **Section III - Federal Award Findings and Questioned Costs**

#### **Finding 2020-001**

##### **U.S. Department of Homeland Security**

##### **CFDA 97.025 - National Urban Search and Rescue (US&R) Response System**

##### **Deficiency over Reporting**

##### **Repeat Findings: No**

###### *Criteria:*

In accordance with 2 CFR §200.303: The non-Federal entity must: (a) Establish and maintain effective internal controls over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with the guidance in *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States and *Internal Control - Integrated Framework* issued by the Committee of Sponsor Organizations of the Treadway Commission (COSO).

In accordance with 2 CFR 200.302: Financial management. (a) Each State must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.

###### *Condition and Context:*

We were unable to agree the expenditures reported in the Final SF-425 Federal Financial Report to the amount recorded in the general ledger.

###### *Cause:*

The County provided the General Ledger backup support of the grant expenditures for the Final SF-425 Federal Financial Report submitted for grant EMW-2016-CA-00029 for the period end August 31, 2019 that did not support the amount reported. We identified a variance of \$142,080.78 between amount reported and amount supported by General Ledger.

###### *Effect or Potential Effect:*

The County may have incorrectly reported expenditures. Failure to comply with grant award requirements could jeopardize future funding.

###### *Questioned Costs:*

None.

**Section III - Federal Award Findings and Questioned Costs (continued)**

**Finding 2020-001 (continued)**

*Recommendation:*

We recommend the County to establish and implement a review process to ensure the amounts reported as expenditures are properly supported to comply with reporting requirements.

*Views of Responsible Officials:*

Management agrees with the finding. Refer to the Corrective Action Plan Section in this report.

#### **Section IV – Prior Year Findings and Questioned Costs**

There were no prior year findings in the June 30, 2019 Single Audit report.

**Section V –Corrective Action Plan**

Marc Elrich  
County Executive



Michael Coveyou  
Director

**DEPARTMENT OF FINANCE**

March 12, 2021

**CORRECTIVE ACTION PLAN**  
2 CFR § 200.511(c)  
For the Year Ended June 30, 2020

Finding Number	Planned Corrective Plan	Anticipated Completion Date	Responsible Contact Person
2020-001	The Department of Finance has informed the Department of Fire and Rescue Service that all financial grant reports will be prepared, approved and submitted to granting agencies by the Division of the Controller.	March 12, 2021	Mauricio Delgado, Grants Supervisor

**Office of the Director**

101 Monroe Street, 15th Floor · Rockville, Maryland 20850 · (240) 777-8860  
www.montgomerycountymd.gov



**MONTGOMERY COUNTY, MARYLAND**

**Report of Independent Public Accountants on Applying  
Agreed-Upon Procedures to Federal Register *Criteria For  
Municipal Solid Waste Landfills - Financial Assurance Criteria***

**For the Year Ended June 30, 2020**



**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON  
APPLYING AGREED-UPON PROCEDURES**

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 (the County) and the County Council, solely to assist the County in evaluating management's assertion, contained in the Chief Financial Officer's letter (the Letter), including attachments, dated December 11, 2020, Annual Certification of Financial Assurance Mechanisms for Local Government Owners and Operators of Municipal Solid Waste Landfill Facilities, 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.

The procedures performed and the 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, 2020.

We made the comparison in step 1 and no exceptions were noted. The June 30, 2020 financial statements were audited by SB & Company, LLC.

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%.

We recalculated the ratio based on the method above and noted that the closure and post-closure costs were less than 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.

Management informed us that 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.

We compared the costs in B1 and B2 above and noted that they 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 determined the ratings satisfy the following requirements.
  - a. Moody's – Aaa, Aa, A, or Baa OR
  - b. Standard and Poor's – AAA, AA, A, or BBB.

We reviewed the Moody's and Standard and Poor's rating reports dated July 8, 2020 and July 9, 2020, respectively and noted the bonds are currently rated Aaa by Moody's and AAA by Standards and 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's Moody's and Standard and Poor's ratings were as required in step B4 above.

6. Obtain the Comprehensive Annual Financial Report and by reading the independent public accountant'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.

We read the County's prepared Comprehensive Annual Financial Report (CAFR) as of and for the year ended June 30, 2020 and noted that the County prepared its financial statements in accordance with generally accepted accounting principles (GAAP), and it was audited by SB & Company, LLC., independent public accountants, and the County received an unmodified opinion on the financial statements included in that CAFR.

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

We asked management if the County was in default on its outstanding general obligation bonds and were told that 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.

We recalculated the County's operating surplus or deficit as defined above for the years ended June 30, 2020 and 2019, noting that the County was not operating at a deficit for either of the years ended June 30, 2020 and 2019, per our calculation.

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.

We read the footnote for closure and post-closure costs in the audited financial statements for the year ended June 30, 2020 and noted that items a through e in step B9 were disclosed in the footnotes to the 2020 financial statements.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the County's compliance with the reporting requirements as specified by the U.S. Environmental Protection Agency (EPA) pursuant to Federal Register (40 CFR Part §258, Subpart G) *Criteria for Municipal Solid Waste Landfills – Financial Assurance Criteria* for the year ended June 30, 2020. 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 Executive and Council and management of the County and is not intended to be and should not be used by anyone other than these specified parties.

Owings Mills, Maryland  
December 18, 2020

*SB + Company, LLC*

**FEDERAL TRANSIT ADMINISTRATION'S  
NATIONAL TRANSIT DATABASE  
MONTGOMERY COUNTY, MARYLAND**

**Report of Independent Public Accountants on Agreed-Upon Procedures**

**For the Year Ended June 30, 2020**

## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS 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 Montgomery County Council, management of Montgomery County, Maryland (the County) and U.S. Department of Transportation-Federal Transit Administration (FTA) on the County's compliance with 49 CFR Part 630, *Federal Register*, December 6, 2007, in accordance with the Federal Transit Administration's *National Transit Database 2020 Policy Manual*, as of and for the fiscal year ended June 30, 2020. The County's management is responsible for compliance with 49 CFR Part 630, *Federal Register*, December 6, 2007, in accordance with the Federal Transit Administration's *National Transit Database 2020 Policy Manual* (the *2020 Policy Manual*). 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 enumerated 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:

1. Inspect a copy of written system procedures for reporting and maintaining data in accordance with NTD requirements and definitions set forth in 49 CFR Part 630, *Federal Register*, December 6, 2007, and as presented in the *2020 Policy 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 *2020 Policy Manual*.

2. Confirm procedures through discussion with the personnel assigned responsibility for supervising the preparation and maintenance of NTD data to determine:
  - a. The extent to which the transit agency followed the procedures on a continuous basis, and
  - b. Whether these transit personnel believe such procedures result in accumulation and reporting of data consistent with NTD definitions and requirements set forth in 49 CFR Part 630, *Federal Register*, and December 6, 2007, and as presented in the *2020 Policy Manual*.

We confirmed through discussion with management, the procedures, set forth in item (1) above, with the personnel responsible 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 *2020 Policy Manual*.

No findings were noted.

3. Confirm the retention policy that the transit agency follows as to source documents supporting NTD data reported on the Federal Funding Allocation Statistics form.

We confirmed through discussion the retention policy with the personnel responsible 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.

4. Based on a description of the transit agency's procedures obtained in items (1) and (2) above, identify all of the source documents that the transit agency must retain for a minimum of three years. For each type of source document, select three months out of the year and determine whether the document exists for each of these periods.

The County provides the following transportation mode:

- Bus Service Motorbus – Directly Operated

We identified the Oracle system (Accounting), Cubix System (Fareboxes), Hubodometers (Fleet Mileage Counter), Faster System (Motorpool) and Computer Aided Dispatch system (Bus tracker) as the source documents for each of the information systems used to develop the reported vehicle revenue miles, passenger travel miles, and operating expenses.

We selected the months of September 2019, February 2020, and June 2020 to view source documents. We viewed a sample of each type of source document identified above for each month and observed that each type of source document exists for the County mode of transportation.

No findings were noted.

5. Confirm the existence of a system of internal controls. Inquire whether separate individuals (independent of the individuals preparing source documents and posting data summaries) inspect the source documents (identified at d above) and data summaries for completeness, accuracy, and reasonableness and how often these individuals perform such reviews.

We confirmed the system of internal controls through discussion with the person responsible for supervising and maintaining the NTD data. We confirmed whether individuals, independent of those preparing the source documents and posting data summaries, read the source documents and data summaries for completeness, accuracy, and reasonableness. Additionally, we confirmed about the frequency of the inspection. 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 agreements of amounts reviewed at year-end, prior to the report's submission.

No findings were noted.

6. Select a random sample of the source documents (identified at (4) above) and determine whether supervisors' signatures are present as required by the system of internal controls. If supervisors' signatures are not required, confirm how personnel document supervisors' reviews.

We randomly selected 3 months (September 2019, February 2020, and June 2020) and inspected all of the source documents for the selected months. 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.

7. Inspect the worksheets used to prepare the final data that the transit agency transcribes onto the Federal Funding Allocation Statistics form. Compare the periodic data included on the worksheets to the periodic summaries prepared by the transit agency. Compute the arithmetical accuracy of the summaries.

We inspected 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 re-computed the arithmetical accuracy of the summaries.

No findings were noted.

8. Confirm the procedure 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 *2020 Policy Manual*.

We confirmed the County's procedure for accumulating and recording passenger travel mile data in accordance with NTD requirements through discussion 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.

9. Confirm through discussion with transit agency staff the transit agency's eligibility to conduct statistical sampling for PMT data every third year. Determine whether the transit agency meets NTD criteria that allow transit agencies to conduct statistical samples for accumulating PMT data every third year rather than annually. Specifically:
  - a. According to the 2010 Census, the public transit agency serves an UZA with a population less than 500,000.
  - b. The public transit agency directly operates fewer than 100 revenue vehicles in all modes in annual maximum revenue service (VOMS) (in any size UZA)
  - c. Service purchased from a seller is included in the transit agency's NTD report.
  - d. For transit agencies that meet one of the above criteria, review the NTD documentation for the most recent mandatory sampling year (2020) and determine that statistical sampling was conducted and meets the 95% confidence and +10% precision requirements.
  - e. Determine how the transit agency estimated annual PMT for the current report year.

We confirmed through discussion with the County's staff that the County is not eligible to conduct statistical sampling for passenger travel mile data every third year. We confirmed by discussion with the County's staff and review of the County's supporting documents for items a and b, and noted 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.

10. Inspect a description of the sampling procedure for estimation of PMT data used by the transit agency. Inspect a copy of the transit agency's working papers or methodology used to select the actual sample of runs for recording PMT data. If the transit agency used average trip length, determine that the universe of runs was the sampling framework. Determine that the methodology used to select specific runs from the universe resulted in a random selection of runs. If the transit agency missed a selected sample run, determine that a replacement sample run was random. Determine that the transit agency followed the stated sampling procedure.

We inspected 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.

11. Select a random sample of the source documents (identified in (4) above) for accumulating PMT data and determine that the data are complete (all required data are recorded) and that the computations are accurate. Select a sample of the accumulation periods and re-compute the accumulations for each of the selected periods. List the accumulations periods that were inspected. Compute the mathematical accuracy of the summary.

The County provides the following transportation mode:

- Bus Service Motorbus – Directly Operated

We randomly selected 3 months (September 2019, February 2020, and June 2020) and inspected all of the source documents related to accumulating passenger travel mile data for the selected months. We compared the documentation to the accumulating PMT data reported in the NTD report to determine if the information was adequately supported and accurately re-computed.

No findings were noted.

12. Confirm the procedures for systematic exclusion of charter, school bus, and other ineligible vehicle miles from the calculation of actual vehicle revenue miles with transit agency staff and determine that they follow the stated procedures. Select a random sample of the source documents used to record charter and school bus mileage and compute the arithmetical accuracy 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 inspected the summary schedules of vehicle revenue miles and noted that these services are excluded from the calculation.

No findings were noted.

13. 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:
  - a. 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. Compute the arithmetical accuracy of the summary.
  - b. 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. Compute the arithmetical accuracy of the summary of intermediate accumulations.
  - c. 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 definitions.

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

No findings were noted.

14. For rail modes, review the recording and accumulation sheets for actual VRMs and determine that locomotive miles are not included in the computation.

The County does not have rail modes.

15. If Fixed Guideway or High Intensity Busway directional route miles (FG or HIB DRM) are reported, interview the person responsible for maintaining and reporting NTD data whether the operations meet FTA's definition of fixed guideway (FG) or High Intensity Busway (HIB).

The County does not operate Fixed Guideway (FG) or High Intensity Busway (HIB) routes.

16. Confirm the measurement of FG and HIB DRM with the person reporting NTD data and determine that he or she computed mileage in accordance with FTA definitions of FG/HIB and DRM. Inquire if any 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 DRMs, and reconcile the total to the FG/HIB DRM reported on the Federal Funding Allocation Statistics form.

The County does not operate Fixed Guideway (FG) or High Intensity Busway (HIB) routes.

17. Confirm if any temporary interruptions in transit service occurred during the report year. If these interruptions were due to maintenance or rehabilitation improvements to a FG segment(s), the following apply:
  - a. Report DRMs for the segment(s) for the entire report year if the interruption is less than 12 months in duration. Report the months of operation on the FG/HIB segments form as 12. The transit agency should document the interruption.
  - b. If the improvements cause a service interruption on the FG/HIB DRMs lasting more than 12 months, the transit agency should contact its NTD validation analyst to discuss. The FTA will make a determination on how to report the DRMs.

The County does not operate Fixed Guideway (FG) or High Intensity Busway (HIB) routes.

18. Measure FG/HIB DRM from maps or by retracing route.

The County does not operate Fixed Guideway (FG) or High Intensity Busway (HIB) routes.

19. Confirm through discussion whether other public transit agencies operate service over the same FG/HIB as the transit agency. If yes, determine that the transit agency coordinated with the other transit agency (or agencies) such that the DRMs for the segment of FG/HIB are reported only once to the NTD on the Federal Funding Allocation form. Each transit agency should report the actual VRM, PMT, and OE for the service operated over the same FG/HIB.

The County does not operate Fixed Guideway (FG) or High Intensity Busway (HIB) routes.

20. Review the FG/HIB segments form. Discuss the Agency Revenue Service Start Date for any segments added in the 2020 report year with the persons reporting NTD data.

The County does not operate Fixed Guideway (FG) or High Intensity Busway (HIB) routes.

21. Compare operating expenses with audited financial data after reconciling items are removed.

We compared and noted that the reconciliation of the operating expenses on the Operating Summary Form (F-40) ties with the County's June 30, 2020 audited financial data and the operating expenses on Form F-30, which is a supporting schedule to Form F-40.

No findings noted.

22. If the transit agency purchases transportation services, interview the personnel reporting the NTD data on the amount of PT-generated fare revenues. The PT fare revenues should equal the amount reported on the Contractual Relationship form.

The County does not purchase transportation services.

23. If the transit agency's report contains data for PT services and assurances of the data for those services are not included, obtain a copy of the IAS-FFA regarding data for the PT service. Attach a copy of the statement to the report. Note as an exception if the transit agency does not have an Independent Auditor Statement (IAS) for the PT data.

The County does not purchase transportation services.

24. If the transit agency purchases transportation services, obtain a copy of the PT contract and determine that the contract specifies the public transportation services to be provided; the monetary consideration obligated by the transit agency or governmental unit contracting for the service; the period covered by the contract (and that this period overlaps the entire, or a portion of, the period covered by the transit agency's NTD report); and is signed by representatives of both parties to the contract. Interview the person responsible for retention of the executed contract and determine that copies of the contracts are retained for three years.

The County does not purchase transportation services.

25. If the transit agency provides service in more than one UZA, or between an UZA and a non-UZA, confirm the procedures for allocating the statistics between UZAs and non-UZAs. Inspect the FG segment worksheets, route maps, and urbanized area boundaries used for allocating the statistics, and determine that the stated procedure is followed and that the computations are correct.

We confirmed through discussion with the County's staff responsible for maintaining the NTD data regarding the procedures for allocating statistics between more than one urbanized area (UZA), as there are no non-urbanized areas (non-UZAs) in the County. We inspected the worksheets and route maps used for allocating the statistics, and determined that the stated procedure is followed and that the computations are correct.

No findings were noted.

26. Compare the data reported on the Federal Funding Allocation Statistics Form to data from the prior report year and calculate the percentage change from the prior year to the current year. For actual VRM, PMT or OE data that have increased or decreased by more than 10%, or FG DRM data that have increased or decreased by more than 10%. Interview transit agency management regarding the specifics of operations that led to the increases or decreases in the data relative to the prior reporting period.

The County provides the following transportation mode:

- Bus Service Motorbus – Directly Operated

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. Actual vehicle revenue miles (VRM), passenger miles (PMT) and operating expense (OE) data did not increase or decrease by more than 10%. We interviewed transit agency management regarding the specifics of operations that led to the increases or decreases in the data relative to the prior reporting period.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the County's compliance with the 49 CFR Part 630, *Federal Register*, December 6, 2007, in accordance with the Federal Transit Administration's *National Transit Database 2020 Policy Manual*. Accordingly, we do not express such an opinion or conclusion. 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 Montgomery County Council, 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.

Owings Mills, Maryland  
January 7, 2020

*SB + Company, LLC*

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

**Schedule of Maintenance and Operating Revenues and Expenditures  
Together with Report of Independent Public Accountants**

**For the Year Ended June 30, 2020**



**JUNE 30, 2020**

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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

The Honorable County Council of Montgomery County, Maryland  
Maryland 911 Emergency Number Systems Program  
Rockville, Maryland

### ***Report on the Schedule***

We have audited the accompanying Schedule of Maintenance and Operating Revenues and Expenditures (the Schedule) of the Maryland 911 Emergency Number Systems Program of Montgomery County, Maryland (the County 911 Program) for the year ended June 30, 2020, and the related notes to the Schedule.

### ***Management's Responsibility for the Schedule***

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 controls relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the Schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is 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 auditor's 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 controls 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 controls. 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 referred to above presents fairly, in all material respects, the revenues and expenditures of the County 911 Program for the year ended June 30, 2020, in accordance with accounting principles generally accepted in the United States of America.

***Basis of Accounting***

As discussed in Note 1, the accompanying Schedule presents only the transactions of the County 911 Program and is not intended to present fairly the financial position of Montgomery County, Maryland as of June 30, 2020, and the changes in its financial position for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Owings Mills, Maryland  
December 18, 2020

*SB + Company, LLC*

**Revenues**

Revenue from County-imposed fees	\$ 9,574,314
Pre-paid revenue	987,737
Interest revenue	59,524
<b>Total Revenues</b>	<b><u>10,621,575</u></b>

**Expenditures**

Salary, wages and fringe benefits	23,584,598
Overtime	2,855,499
Training	23
Supplies and materials	33,087
Travel	12,526
Telephone	1,345,327
Repairs and maintenance	22,744
Fuel and utilities	241,842
Building expenses	146,998
Miscellaneous	1,396,721
<b>Total Expenditures</b>	<b><u>29,639,365</u></b>

Net operating expenditures	(19,017,790)
County funds required	19,017,790
<b>Net</b>	<b><u>\$ -</u></b>

**County Fee Analytical Support**

Total authorized salary expenditures on public safety answering points (PSAP) 911 call taker staff	<b><u>\$ 13,747,239</u></b>
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Total authorized salary expenditures of PSAP support staff (support staff may include supervisory, administrative, geographic information system (GIS), timekeeping, and other personnel - with expenditures calculated on percentage of time allotted to 911 operations)	<b><u>\$ 9,837,359</u></b>
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Fringe and benefit for call and support staff	<b><u>\$ -</u></b>
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<b>Amount of County Fee Contributed to PSAP Operation</b>	<b><u>\$ 19,017,790</u></b>
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## **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 (the Schedule) 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 was prepared to present the maintenance and operating revenues and expenditures of the Maryland 911 Emergency Number Systems Program of Montgomery County, Maryland (the County 911 Program) 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 revenue that can be used for personnel and other maintenance and operating expenditures.

The Schedule 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 County 911 Program. The County funds the difference between the Board revenues and total expenditures.

## **2. STATUTORY REPORTING**

The reported revenues and expenditures of the County 911 Program are included in the County's General Fund and include the following:

### **Revenues**

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

### **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)).

**CONTRACT AMENDMENT #1**  
**CONTRACT NUMBER 184472915**

This Amendment is entered into between MONTGOMERY COUNTY, MARYLAND, on behalf of the County Council for Montgomery County, Maryland (“Council”), and SB & Company, LLC, 10200 Grand Central Avenue, Suite 250, Owings Mills, MD 21117 (“Contractor”).

**BACKGROUND**

1. The Council and the Contractor entered into Contract No. 184472915 on April 14, 2020. The current contract expires on July 13, 2021.
2. The purpose of this Contract is to provide for auditing services as required by Section 315 of the Montgomery County Charter.
3. The Contractor’s services are needed to conduct the Fiscal Year 2021 audit. This Contract Amendment renews the contract for the first of the three (3) one-year renewal periods allowed under the Contract.
4. Under this Contract, Article V. “Payments”, Paragraph D. Payments in Subsequent Years., the Contractor may request a price adjustment based on the CPI for all urban consumers issued for the Washington-Baltimore, DC-MD-VA-WV Metropolitan area by the United States Department of Labor, Bureau of Labor Statistics. The Auditor did not request a price adjustment for conducting the Fiscal Year 2021 audit.

**CHANGE**

1. Article V. “Payments”, Paragraph A., Subparagraph 1. Payment for Subparagraph 1 (County Government Basic Financial Statements):
  - Basic Financial Statements Audit
  - Single Audit
  - Maryland State Uniform Financial Report
  - Management Letter
  - Report on Internal Controls Over Financial Reporting and Compliance
  - Assistance with GFOA Certificate of Achievement for Excellence in Financial Reporting
  - Fiscal Year Closing

is amended by adding the following:

- a. The County will pay the Contractor a fixed fee not to exceed \$189,100 for Fiscal Year 2021 audit services performed under this portion of the Contract. The Council will pay the Contractor on a monthly basis for work completed during the month, on the condition that the Contract Administrator determines, in his or her sole discretion, that the Contractor is making satisfactory progress toward completing all auditing services. The Independent Audit Non-Departmental Account is the source of funds. The Contract Administrator is responsible for approving invoices and paying the Contractor for services satisfactorily performed under this portion of the Contract.
2. Article V. “Payments”, Paragraph A., Subparagraph 2. Payment for Subparagraph 2 (Employee Retirement Plans’ Financial Statements):
  - Basic Financial Statements Audit

- Opinion Over Schedules Allocating Net Pension Liability Among Participating Employers
- Management Letter
- Report on Internal Controls Over Financial Reporting and Compliance
- Assistance with GFOA Certificate of Achievement for Excellence in Financial Reporting

is amended by adding the following:

- a. The County will pay the Contractor a fixed fee not to exceed \$32,220 for Fiscal Year 2021 audit services performed under this portion of the Contract. The County will pay the Contractor on a monthly basis for work completed, on the condition that the Board of Investment Trustees' designee determines that the Contractor is making satisfactory progress toward completing all auditing services. The Employees' Retirement System, the Retirement Savings Plan, and the County's General Fund (on behalf of the Deferred Compensation Plan) will be the source of funds. The Board of Investment Trustees' designee is responsible for approving invoices and paying the Contractor for services satisfactorily performed under this portion of the Contract.

3. Article V. "Payments", Paragraph A., Subparagraph 3. Payment for Subparagraph 3 (Montgomery County Consolidated Retiree Health Benefits Trust):

- Trust Audit
- Opinion Over Schedules Allocating Net OPEB Liability Among Participating Employers
- Management Letter
- Report on Internal Controls Over Financial Reporting and Compliance

is amended by adding the following:

- a. The County will pay the Contractor a fixed fee not to exceed \$22,480 for Fiscal Year 2021 audit services performed under this portion of the Contract. The County will pay the Contractor on a monthly basis for work completed, on the condition that the Board of Investment Trustees' designee determines that the Contractor is making satisfactory progress toward completing all auditing services. The Consolidated Retiree Health Benefits Trust will be the source of funds. The Board of Investment Trustees' designee is responsible for approving invoices and paying the Contractor for services satisfactorily performed under this portion of the Contract.

4. Article V. "Payments", Paragraph A., Subparagraph 4. Payment for Subparagraph 4 (Montgomery County Union Employees Deferred Compensation Plan Basic Financial Statements):

- Basic Financial Statements Audit
- Management Letter
- Report on Internal Controls Over Financial Reporting and Compliance

is amended by adding the following:

- a. The County will pay the Contractor a fixed fee not to exceed \$13,640 for Fiscal Year 2021 audit services performed under this portion of the Contract. The County will pay the Contractor on a monthly basis for work completed, on the condition that the Contract Administrator determines, in his or her sole discretion, that the Contractor is making satisfactory progress toward completing all auditing services. The Independent Audit Non-Departmental Account is the source of funds. The Contract Administrator is responsible for approving invoices and paying the Contractor for services satisfactorily performed under this portion of the Contract.



5. Article V. "Payments", Paragraph A., Subparagraph 5. Payment for Subparagraph 5 (Agreed-Upon Procedures for the Chief Financial Officer's Annual Certification of Financial Assurance Mechanisms for Local Government Owners and Operators of Municipal Solid Waste Landfill Facilities) is amended by adding the following:
  - a. The County will pay the Contractor a fixed fee not to exceed \$1,980 for Fiscal Year 2021 audit services performed under this portion of the Contract. The County will pay the Contractor after the Council accepts the deliverables described in Article II. "Deliverables", Paragraph A., Subparagraph 5. The Solid Waste Disposal Fund will be the source of funds. The Department of Environmental Protection is responsible for approving invoices and paying the Contractor for services satisfactorily performed under this portion of the Contract.
6. Article V. "Payments", Paragraph A., Subparagraph 6. Payments for Subparagraph 6 (Agreed-Upon Procedures for the National Transit Database Report) is amended by adding the following:
  - a. The County will pay the Contractor a fixed fee not to exceed \$6,800 for Fiscal Year 2021 audit services performed under this portion of the Contract. The County will pay the Contractor in two equal installments, with the first installment paid upon completion of the Contractor's field work, and the second installment paid after the Council accepts the deliverables described in Article II. "Deliverables", Paragraph A., Subparagraph 7. The Independent Audit Non-Departmental Account is the source of funds. The Contract Administrator is responsible for approving invoices and paying the Contractor for services satisfactorily performed under this portion of the Contract.
7. Article V. "Payments", Paragraph A., Subparagraph 7. Payments for Subparagraph 7 (9-1-1 System Audit) is amended by adding the following:
  - a. The State of Maryland will pay the Contractor a fixed fee not to exceed \$3,630 for Fiscal Year 2021 audit services performed under this portion of the Contract. The State will pay the Contractor upon the Emergency Number Systems Board's acceptance of the deliverables described in Article II. "Deliverables", Paragraph B., Subparagraph 8. Emergency Number Systems Board funds will be the source of funds. The Emergency Number Systems Board is responsible for approving invoices and paying the Contractor for services satisfactorily performed under this portion of the Contract.
8. This Contract is renewed for an additional term of one year from July 14, 2021 through July 13, 2022.

**EFFECT**

1. Existing Contract terms remain in effect unless specifically changed by this Amendment.
2. This Amendment is entered into prior to the expiration of the Contract.
3. This Amendment is entered into on the date of signature by the President of the County Council for Montgomery County, Maryland.
4. No goods or services are to be provided pursuant to this Amendment until it is signed by the President of the County Council for Montgomery County, Maryland.

**(Signature Page Follows)**

**WITNESS**

SB & Company, LLC

BY: \_\_\_\_\_  
Graylin E. Smith, Managing Partner  
SB & Company, LLC

DATE \_\_\_\_\_

Montgomery County, Maryland

BY: \_\_\_\_\_  
Tom Hucker, President  
Montgomery County Council

DATE \_\_\_\_\_

Approved to as to form and legality:

BY: \_\_\_\_\_  
Walter Wilson  
Associate County Attorney

DATE \_\_\_\_\_

Resolution No.: \_\_\_\_\_  
Introduced: \_\_\_\_\_  
Adopted: \_\_\_\_\_

**COUNTY COUNCIL  
FOR MONTGOMERY COUNTY, MARYLAND**

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Lead Sponsor: Audit Committee

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**SUBJECT:** Renewal of Council Contract for Audit Services

**Background**

1. Section 315 of the Montgomery County Charter states that: “The Council shall contract with, or otherwise employ, a certified public accountant to make annually an independent post audit of all financial records and actions of the County, its officials and employees.”

The Montgomery County Code (Section 33-51(c)) indicates that: “An independent audit of the retirement system will be completed annually by the firm of certified public accountants under contract with the Council.”

The Montgomery County Code (Section 21-24(d)) states that: “Financial transactions involving County fire tax funds must be included in the annual audit required by the Charter.”

2. Council Resolution No. 16-326, adopted October 2, 2007, established Council procedures for the selection of the independent auditor. The procedures direct the Council’s Management and Fiscal Policy Committee to perform the functions of the Contractor Qualification and Selection Committee, including reviewing and evaluating proposals and recommending independent auditors to the County Council.
3. Council Resolution No. 16-826, adopted January 27, 2009, established a Council Audit Committee consisting of the members of the Management and Fiscal Policy Committee (currently known as the Government Operations and Fiscal Policy Committee) and the Council President and Council Vice President as ex officio members. The Audit Committee is charged with providing oversight of, among other things, County audit activities and fulfills the functions of the Management and Fiscal Policy Committee established in Council Resolution No. 16-326.

4. The procedures in Council Resolution No. 16-326 indicate that the final selection of the independent auditor will be made by the County Council.
5. The Audit Committee unanimously recommends that the Council renew the contract with the firm of SB & Company LLC to conduct the audit of the County Government financial statements for the fiscal year ending June 30, 2021; the audit of the Montgomery County Employee Retirement Plans financial statements for the fiscal year ending June 30, 2021; the audit of the Montgomery County Consolidated Retiree Health Benefits Trust for the fiscal year ending June 30, 2021; the audit of the Montgomery County Union Employees Deferred Compensation Plan financial statements for the calendar year ending December 31, 2021; and other tests, reviews and certifications. The Council may renew the contract with SB & Company LLC to complete the audits for the fiscal years ending June 30, 2022 and 2023 and the calendar years ending December 31, 2022 and 2023.

### **Action**

The County Council for Montgomery County, Maryland approves the following resolution:

The County Council for Montgomery County, Maryland authorizes the Council President to renew the contract with SB & Company LLC to conduct the audit of the County Government financial statements for the fiscal year ending June 30, 2021; the audit of the Montgomery County Employee Retirement Plans financial statements for the fiscal year ending June 30, 2021; the audit of the Montgomery County Consolidated Retiree Health Benefits Trust for the fiscal year ending June 30, 2021; the audit of the Montgomery County Union Employees Deferred Compensation Plan financial statements for the calendar year ending December 31, 2021; and other tests, reviews and certifications.

This is a correct copy of Council action.

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Selena Mendy Singleton, Esq.  
Clerk of the Council