

BALTIMORE COUNTY PUBLIC SCHOOLS
1940-G GREENSPRING DRIVE
TIMONIUM, MARYLAND 21093

NATIONAL SCIENCE FOUNDATION
AWARD NUMBER
EHR-0227256

FINANCIAL AUDIT OF
FINANCIAL SCHEDULE AND
INDEPENDENT AUDITORS' REPORT FOR THE PERIOD
OCTOBER 1, 2002 TO DECEMBER 31, 2004

MAYER HOFFMAN McCANN P.C.
An Independent CPA Firm
Conrad Government Services Division
2301 Dupont Drive, Suite 200
Irvine, California 92612

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[REDACTED]

BALTIMORE COUNTY PUBLIC SCHOOLS

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EXECUTIVE SUMMARY

BACKGROUND

We audited funds awarded by the National Science Foundation (NSF) to Baltimore County Public Schools (BCPS) under grant number EHR-0227256 for the period October 1, 2002 to December 31, 2004. BCPS, as a Federal awardee, is required to follow the cost principles specified in Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, and federal administrative requirements contained in OMB Circular A-102, *Grants and Cooperative Agreements With State and Local Governments*. In addition, as an NSF awardee, BCPS is required to follow provisions for financial management systems and cost sharing in OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*.

BCPS was established in 1867 and ranks as the twenty-third largest school system in the United States. It operates over 160 schools, including elementary schools, middle schools, high schools and special schools in the north central part of the State of Maryland.

NSF awarded grant agreement no. EHR-0227256 to BCPS for the period October 1, 2002 to September 30, 2007 in the amount of \$5,563,656 to establish a school-university partnership for excellence in research-based science, technology, engineering and math education (SUPER STEM). BCPS established University of Maryland Baltimore County (UMBC) as the sub-awardee for this grant. The goal of the project was to increase student achievement in low-performing students, and target low-performing schools in the BCPS system. The project planned to: (1) establish Visiting STEM scholarships to attract scientists and educators to accelerate the development and teaching of new curricula, (2) provide weekend and summer accelerated academic coursework for the lowest-performing students and schools, (3) create STEM academics in the lowest-performing schools, (4) expand the BCPS Urban Education Principal, Teacher and Intern Scholarships to recruit and retain the most talented STEM educators to the lowest-performing schools, (5) provide over 100 hours of STEM training to about 1800 teachers, and (6) conduct ongoing, hierarchical, multi-method longitudinal student and teacher achievement analysis, performance assessments and work sampling.

At the request of BCPS, on January 1, 2005 NSF transferred the award to UMBC as the primary awardee, with BCPS designated as the sub-awardee of the grant. The project was renamed as BCPS-UMBC STEM Project and renumbered as NSF grant no. EHR-0514420.

Total costs reported by BCPS under the SUPER STEM grant for the period October 1, 2002 to December 31, 2004 was \$2,390,076. There was no cost sharing requirement for this award.

AUDIT OBJECTIVES, SCOPE AND METHODOLOGY

The objectives of our audit were to:

1. Determine if BCPS's Schedule of Award Costs presents fairly, in all material respects, costs claimed on the *Federal Cash Transaction Reports* (FCTRs), and if costs claimed are in conformity with NSF award terms and conditions.
2. Identify matters concerning instances of noncompliance with laws, regulations, and the provisions of the award agreement pertaining to the NSF award and weaknesses in BCPS's internal control over financial reporting that could have a direct and material effect on the Schedule of Award Costs and BCPS's ability to properly administer, account for, and monitor its NSF award.

We audited costs claimed under NSF Grant Agreement No. EHR-0227256 for the period October 1, 2002 to December 31, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* (2003 Revision) issued by the Comptroller General of the United States, and the *National Science Foundation Audit Guide*, September 1996, as applicable. These standards and the *National Science Foundation Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether amounts claimed to NSF as presented in the Schedule of Award Costs (Schedule A) are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Award Costs. An audit also includes assessing the accounting principles used and the significant estimates made by BCPS, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

SUMMARY OF AUDIT RESULTS

An audit was performed on the costs claimed on the financial reports submitted to NSF by BCPS on NSF award number EHR-0227256. These costs and the costs questioned as a result of our audit are shown in the Schedule of Award Costs (Schedule A) and are summarized as follows:

<u>NSF Award No.</u>	<u>Funding Source</u>	<u>Award Budget</u>	<u>Claimed Costs</u>	<u>Questioned Costs</u>
EHR-0227256	NSF-Funded	\$ 2,815,986	2,390,076	16,522
	Total Project	\$ 2,815,986	2,390,076	16,522

Except for the \$16,522 in questioned indirect costs described below, we determined that the costs claimed by BCPS appear fairly stated and are allowable, allocable, and reasonable for the NSF award.

Specifically, we questioned \$16,522 of indirect costs because BCPS overcharged indirect costs to its NSF grant as a result of it erroneously applying its NSF approved Maryland State Department of Education indirect cost rate of 2.7% to the wrong cost base. According to Maryland State Department of Education guidelines, and BCPS's NSF grant agreement, the cost base used to calculate indirect costs should have excluded all equipment purchases over \$1,000. However, BCPS included in its cost base all equipment purchases that were less than \$5,000. This \$5,000 threshold was not consistent with the Maryland State Department of Education guidelines and the requirements of its NSF grant.

Our audit determined that this error occurred because BCPS did not have adequate policies and procedures for the calculation of indirect costs and thus, BCPS could not ensure that the cost base it used to calculate its indirect costs was consistent with the requirements of the Maryland State Department of Education guidelines or the terms of its NSF grant. This control deficiency also precluded BCPS from ensuring that the indirect costs it claimed on its NSF grant were as prescribed in its NSF approved grant budget.

Accordingly, we recommend that NSF Directors of the Division of Institution and Award Support (DIAS) and the Division of Grants and Agreements (DGA) direct BCPS to develop and implement written policies and procedures for the calculation of indirect costs, including the formulation of the cost base, and that these policies and procedures be consistent with the Maryland State Department of Education guidelines and the NSF approved grant budget.

The awardee responded to the draft report on July 26, 2006. In its response, the awardee stated that it disagrees with the finding that its policies and procedures for calculating indirect costs are inadequate. The awardee cited Maryland Department of Education Rule 3122 as being the policy it has had in place since September 2002 and that this rule guides its fiscal department in the recovery of indirect costs. BCPS, however, did concur with the computation of the \$16,522 in questioned indirect costs. Finally, the awardee indicated that it is considering automating the process for the calculation of indirect costs through the use of a system interface with its Advantage Financial System.

The finding in this report should not be closed until NSF has determined that the recommendation has been adequately addressed and the proposed corrective actions have been satisfactorily implemented.

For a complete discussion of the audit finding, refer to the Independent Auditors' Report on Compliance and Other Matters and on Internal Control over Financial Reporting.

EXIT CONFERENCE

We discussed the finding at an informal exit conference on March 2, 2006 at BCPS's office. We discussed the preliminary finding and recommendation noted during the audit. Representing BCPS was:

Name	Title
██████████	Controller

Representing Mayer Hoffman McCann P.C. was:

Name	Title
██████████	Principal

COMPLIANCE AND INTERNAL CONTROLS

National Science Foundation
Office of Inspector General
4201 Wilson Boulevard
Arlington, Virginia 22230

**INDEPENDENT AUDITOR’S REPORT ON
COMPLIANCE AND OTHER MATTERS AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING**

We audited costs claimed as presented in the Schedule of Award Costs (Schedule A), which summarizes financial reports submitted by Baltimore County Public Schools (BCPS) to the National Science Foundation (NSF) for the award and period listed below and have issued our report thereon dated March 2, 2006:

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
EHR – 0227256	10/01/02 – 12/31/04	10/01/02 – 12/31/04

We conducted our audit of the Schedule of Award Costs as presented in Schedule A in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United States (2003 revision); and, the *National Science Foundation Audit Guide, September 1996*, as applicable. These standards and the *National Science Foundation Audit Guide* require that we plan and perform the audit to obtain reasonable assurance that the financial schedule is free of material misstatement.

COMPLIANCE WITH LAWS AND REGULATIONS AND OTHER MATTERS

Compliance with applicable federal laws, regulations, and NSF award terms and conditions is the responsibility of BCPS’s management. As part of obtaining reasonable assurance about whether BCPS’s financial schedule is free of material misstatement, we performed tests of BCPS’s compliance with certain provisions of applicable laws, regulations, and NSF award terms and conditions, noncompliance with which could have a direct and material effect on the determination of financial schedule 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 of compliance disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and the *National Science Foundation Audit Guide* and is described in Finding No. 1 below.

INTERNAL CONTROL OVER FINANCIAL REPORTING

BCPS management is responsible for establishing and maintaining internal controls. In fulfilling this responsibility, estimates and judgments made by management are required to assess expected benefits and related costs of internal control policies and procedures. The objectives of internal controls are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial schedules in accordance with accounting principles prescribed by the NSF. Because of inherent limitations in any internal control, misstatements due to errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the Schedule of Award Costs (Schedule A) for the period October 1, 2002 to December 31, 2004, we considered BCPS's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedule and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express such an opinion.

We noted, however, a matter described below involving the internal control over financial reporting and its operation that we consider a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect BCPS's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial schedule. The reportable condition we identified is described in Finding No.1 below.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control elements does not reduce, to a relatively low level, the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial schedules being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over financial reporting would not necessarily disclose all matters related to internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be a material weakness. We do not consider the reportable condition described below to be a material weakness.

FINDING AND RECOMMENDATION

Finding 1. Lack of Adequate Policies and Procedures for the Calculation of Indirect Costs

BCPS did not have adequate policies and procedures for the calculation of the indirect costs that it charged to its NSF grant. As a result, it overcharged \$16,522 of indirect costs to the grant.

According to the terms of NSF Award Number EHR-0227256, NSF approved BCPS's use of the Maryland State Department of Education indirect cost rate of 2.7%. According to Maryland State Department of Education guidelines, the indirect cost rate of 2.7% should have been applied to a cost base that excluded all equipment purchases over \$1,000. However, BCPS included in its cost base all equipment purchases that were less than \$5,000. BCPS personnel advised us they inadvertently utilized a \$5,000 equipment threshold because NSF generally allows for such an equipment threshold for cost base calculations. Nonetheless, the use of the \$5,000 threshold was not consistent with the Maryland State Department of Education Guidelines and the terms of its NSF grant.

As a result of the \$5,000 threshold, equipment purchases ranging in value between \$1,000 and \$5,000, and totaling \$611,929, were incorrectly included in the cost base BCPS used to calculate indirect costs that it charged to its NSF grant. This resulted in an overcharge by BCPS of indirect costs to NSF in the amount of \$16,522. We questioned these costs.

Recommendation 1:

We recommend the NSF Directors of the Division of Institution and Award Support (DIAS) and the Division of Grants and Agreements (DGA) direct BCPS to develop and implement policies and procedures for the calculation of indirect costs, including the formulation of the cost base, and that these policies and procedures be consistent with the Maryland State Department of Education guidelines and the terms of BCPS's NSF grant award.

Awardee Comments

BCPS stated that it disagrees with the finding that its policies and procedures for calculating indirect costs are inadequate. It cited the Maryland Department of Education Rule 3122 as being the policy it has had in place since September 2002 and that this rule guides its fiscal department in the recovery of indirect costs. BCPS, however, did concur with the computation of the \$16,522 in questioned indirect costs. BCPS also indicated that it is considering automating the process for the calculation of indirect costs through the use of a system interface with its Advantage Financial System.

Auditor's Response

We acknowledge Rule 3122 as BCPS' Indirect Cost guidance. However, we believe that had the policy and procedure been adequate, the error in computing indirect costs would not have occurred. We further recognize that automating this process will alleviate the possibility of human error.

This report is intended solely for the information and use of BCPS's management, the National Science Foundation, BCPS's federal cognizant agency, the Office of Management and Budget, and the Congress of the United States of America and is not intended to be and should not be used by anyone other than those specified parties.

MAYER HOFFMAN McCANN P.C.

Irvine, California

March 2, 2006

**FINANCIAL SCHEDULES AND
SUPPLEMENTAL INFORMATION**

National Science Foundation
Office of Inspector General
4201 Wilson Boulevard
Arlington, Virginia 22230

INDEPENDENT AUDITORS' REPORT ON FINANCIAL SCHEDULE

We have audited the costs claimed by Baltimore County Public Schools (BCPS) to the National Science Foundation (NSF) on the Federal Cash Transactions Reports (FCTRs) for the NSF award listed below. The FCTRs, as presented in the Schedule of Award Costs (Schedule A), are the responsibility of BCPS' management. Our responsibility is to express an opinion on the Schedule of Award Costs (Schedule A) based on our audit.

Award Number	Award Period	Audit Period
EHR-0227256	10/01/02 – 12/31/04	10/01/02 – 12/31/04

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards* (2003 revision), issued by the Comptroller General of the United States; and, the *National Science Foundation Audit Guide, September 1996*, as applicable. These standards and the *National Science Foundation Audit Guide*, require that we plan and perform the audit to obtain reasonable assurance that the amounts claimed to NSF as presented in the Schedule of Award Costs (Schedule A) are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Award Costs (Schedule A). An audit also includes assessing the accounting principles used and the significant estimates made by BCPS, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

The Schedule of Questioned Costs (Schedule B) explains the \$16,522 (0.6%) of total claimed NSF funds that we have questioned for allowability. These costs represent incorrectly computed indirect costs.

Questioned costs are (1) costs for which documentation exists to show that recorded costs were expended in violation of laws, regulations, or specific award conditions, (2) costs that require additional support by awardee, or (3) costs that require interpretation of allowability by NSF's Division of Institution and Award Support (DIAS). NSF will make the final determination of cost allowability. The ultimate outcome of this determination cannot presently be determined. Accordingly, no adjustment has been made to costs claimed for any potential disallowance by NSF.

In our opinion, except for the \$16,522 of questioned NSF-funded costs, the Schedule of Award Costs (Schedule A) referred to above presents fairly, in all material respects, costs claimed on FCTRs for the period October 1, 2002 to December 31, 2004 in conformity with the *National Science Foundation Audit Guide*, *NSF Grant Policy Manual*, terms and conditions of the NSF award and on the basis of accounting described in the Notes to the Financial Schedule. This schedule is not intended to be a complete presentation of BCPS's financial position in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, and provisions of the *National Science Foundation Audit Guide*, we have also issued a report dated March 2, 2006, on our tests of BCPS' compliance with certain provisions of laws, regulations, and NSF award terms and conditions and our consideration of BCPS's internal control over financial reporting. The purpose of that report is to describe the scope of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of BCPS' management, NSF, BCPS's federal cognizant agency, the Office of Management and Budget, and the Congress of the United States of America and is not intended to be, and should not be used by anyone other than these specified parties.

MAYER HOFFMAN McCANN P.C.
Irvine, California
March 2, 2006

<Insert Schedule A>

SCHEDULE B

BALTIMORE COUNTY PUBLIC SCHOOLS

National Science Foundation Award Numbers:

EHR-0227256

Schedule of Questioned Costs

From October 1, 2002 to December 31, 2004

Note B-1 **Indirect Costs**

BCPS did not have adequate policies and procedures for the calculation of the indirect costs that it charged to its NSF grant. As a result, it overcharged \$16,522 of indirect costs to the grant.

According to the terms of NSF Award Number EHR-0227256, NSF approved BCPS's use of the Maryland State Department of Education indirect cost rate of 2.7%. According to Maryland State Department of Education guidelines, the indirect cost rate of 2.7% should have been applied to a cost base that excluded all equipment purchases over \$1,000. However, BCPS included in its cost base all equipment purchases that were less than \$5,000. The use of the \$5,000 threshold was not consistent with the Maryland State Department of Education Guidelines and the terms of BCPS's NSF grant award.

As a result of the \$5,000 threshold, equipment purchases ranging in value between \$1,000 and \$5,000, and totaling \$611,929, were incorrectly included in the cost base BCPS used to calculate indirect costs that it charged to its NSF grant.

Indirect costs claimed to the grant totaling \$27,514 represent an overstatement of \$16,522. Our computation of indirect costs that should have been claimed was prepared by applying the approved indirect cost rate to the appropriate base. Had this approach been used by BCPS, indirect costs claimed to the grant would have been \$10,992 (\$27,514 less \$16,522). (See Finding and Recommendation No. 1 on the *Independent Auditor's Report on Compliance and Other Matters and on Internal Control Over Financial Reporting.*)

Costs reclassified as equipment costs	\$ 611,929
Approved indirect cost rate	<u>2.70%</u>
Questioned indirect costs	<u>\$ 16,522</u>

Awardee Comments

BCPS stated that it disagrees with the finding that its policies and procedures for calculating indirect costs are inadequate. It cited the Maryland Department of Education Rule 3122 as being the policy it has had in place since September 2002 and that this rule guides its fiscal department in the recovery of indirect costs. BCPS, however, did concur with the computation of the \$16,522 in questioned indirect costs. BCPS also indicated that it is considering automating the process for the calculation of indirect costs through the use of a system interface with its Advantage Financial System.

Auditor's Response

We acknowledge Rule 3122 as BCPS' Indirect Cost guidance. However, we believe that had the policy and procedure been adequate, the error in computing indirect costs would not have occurred. We further recognize that automating this process will alleviate the possibility of human error.

BALTIMORE COUNTY PUBLIC SCHOOLS

National Science Foundation Award Numbers:
EHR-0227256

Summary Schedule of Award Audited and Audit Results
From October 1, 2002 to December 31, 2004

Summary of Awards Audited

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
EHR-0227256	10/01/02 – 12/31/04	10/01/02 – 12/31/04

<u>Type of Award</u>	<u>Award Description</u>
Grant	To increase achievement in low-performing students, and target low-performing schools in the Baltimore County Public Schools system.

Summary of Questioned and Unsupported Costs

<u>Award Budget</u>	<u>Claimed Costs</u>	<u>Questioned Costs</u>	<u>Unsupported Costs</u>
\$ 2,815,986	\$ 2,390,076	\$ 16,522	\$ 0

Summary of Questioned Costs by Explanation

<u>Category</u>	<u>Questioned Costs</u>	<u>Internal Controls</u>	<u>Non-Compliance</u>
Indirect Costs	\$ 16,522	Yes	Yes

Summary of Non-Compliance and Internal Control Findings

<u>Findings</u>	<u>Non-Compliance or Internal Control?</u>	<u>Material or Reportable?</u>
Indirect Costs	Compliance & Internal Control	Reportable

BALTIMORE COUNTY PUBLIC SCHOOLS

Notes to Financial Schedule
From October 1, 2002 to December 31, 2004

Note 1: Summary of Significant Accounting Policies

Accounting Basis

The accompanying financial schedules have been prepared in conformity with National Science Foundation (NSF) instructions. Schedule A has been prepared from the reports submitted to NSF. The basis of accounting utilized in preparation of these reports differs from generally accepted accounting principles. The following information summarizes these differences:

A. Equity

Under the terms of the award, all funds not expended according to the award agreement and budget at the end of the award period are to be returned to NSF. Therefore, the awardee does not maintain any equity in the award and any excess cash received from NSF over final expenditures is due back to NSF.

B. Equipment

Equipment is charged to expense in the period during which it is purchased instead of being recognized as an asset and depreciated over its useful life. As a result, the expenses reflected in the Schedule of Award Costs include the cost of equipment purchased during the period rather than a provision for depreciation.

The equipment acquired is owned by BCPS while used in the program for which it was purchased or in other future authorized programs. However, NSF has the reversionary interest in the equipment. Its disposition, as well as the ownership of any proceeds there from, is subject to Federal regulations.

C. Inventory

Minor materials and supplies are charged to expense during the period of purchase. As a result, no inventory is recognized for these items in the financial schedule.

D. Income Taxes

BCPS is a state government entity of the State of Maryland and is exempt from income taxes.

The departure from generally accepted accounting principles allows NSF to properly monitor and track actual expenditures incurred by the awardee. The departure does not constitute a material weakness in internal controls.

BALTIMORE COUNTY PUBLIC SCHOOLS

Notes to Financial Schedule

From October 1, 2002 to December 31, 2004

Note 2: Indirect Cost Rate

<u>Award Number</u>	<u>Indirect Cost Rate</u>	<u>Base</u>
EHR- 0227256	2.70%	Modified Total Direct Costs (Total direct salaries, fringe benefits, travel, materials, supplies, publication, and other direct costs except subaward, participant support costs and individual equipment purchases over \$1,000).

**APPENDIX - AWARDEE'S COMMENTS TO
REPORT**

BALTIMORE COUNTY PUBLIC SCHOOLS

[REDACTED] Superintendent

6901 Charles Street Towson, MD • 21204-3711

July 20, 2006

[REDACTED] CPA, CFE
Mayer Hoffman McCann P.C.
2301 Dupont Drive, Suite 200
Irvine, California 92612

Dear [REDACTED]

We have reviewed the draft audit report covering the National Science Foundation (NSF) award No. EHR-0227256 awarded to Baltimore County Public Schools during the period of October 1, 2002, through December 31, 2004.

We have found the data presented to be accurate. We concur with the calculation of the questioned costs based on the interpretation of the equipment threshold of \$1,000. However, we do not concur with the reason for the finding to be the lack of adequate policies and procedures for the calculation of indirect costs, or the recommendation to develop and implement policies and procedures for the calculation of indirect costs.

We believe we have adequate policies and procedures for the calculation of indirect costs. They are stated in Superintendent's Rule 3122, Classification of Expenditures – Indirect Costs approved on September 24, 2002. The rule incorporates the guidance for indirect cost plans provided by the Maryland State Department of Education in the *Financial Reporting Manual for Maryland Public Schools*. A copy of the rule is attached for your review.

In order to assist with the consistent application of this rule, we will be evaluating the use of an automated interface in our newly implemented Advantage Financial system. In the meantime, our manual process includes a review process, and our staff have been reminded to follow the rule. We are not aware of any other diversions from the rule.

If you should have any questions regarding our comments, please call me [REDACTED] or email me at [REDACTED]

Sincerely,

[REDACTED]
[REDACTED]
[REDACTED] CPA
Chief Financial Officer

Enclosure

c: [REDACTED] Superintendent
[REDACTED] Esq., Deputy Superintendent, Business Services
[REDACTED] Controller



RULE 3122

NON-INSTRUCTIONAL SERVICES: Fiscal Services

Classification of Expenditures

Indirect Costs

1. As used in this rule, indirect costs are defined as those allocations of administrative expenditures necessary to manage grant programs. Fiscal Services shall charge all grants indirect costs.
2. This rule sets forth the definition, purpose and classification of indirect costs for grant budgets.
3. Fiscal Services shall establish procedures to ensure that all grant budgets include indirect costs, and to account for indirect cost funds collected in accordance with the *Financial Reporting Manual for Maryland Public Schools*.
4. All grant managers shall include indirect costs when the budget is prepared and submitted, except where the charging of indirect costs is prohibited by the granting agent.
5. Annually, the Maryland State Department of Education (MSDE) calculates the indirect cost rate plan for Baltimore County Public Schools. This rate will be applied to all grants, unless prohibited by the granting agent.
6. Fiscal Services will be responsible for collecting indirect costs from the grants. Funds will be allocated to the indirect cost recovery fund.
7. Fiscal Services prepares the proposed draft of expenditures from indirect cost recovery funds with input from BCPS staff for approval by the superintendent.
8. Fiscal Services will prepare indirect cost recovery budget for inclusion in the operating budget in the special revenue fund.

Rule
Approved: 9/24/02

Superintendent of Schools

HOW TO CONTACT
THE OFFICE OF INSPECTOR GENERAL

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