

**PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS**

**OMB CIRCULAR A-133  
SINGLE AUDIT REPORT**

**JUNE 30, 2013**

**BERT SMITH  
& Co.**

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*Certified Public Accountants and Management Consultants*

**PRINCE GEORGE’S COUNTY PUBLIC SCHOOLS**  
**OMB CIRCULAR A-133**  
**SINGLE AUDIT REPORT**  
**JUNE 30, 2013**

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

To the Members of the Board of Education of  
Prince George's County, Maryland  
Upper Marlboro, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Prince George's County Public Schools (the School System), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School System's basic financial statements and have issued our report thereon dated September 30, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School System's internal control. Accordingly, we do not express an opinion on the effectiveness of the School System's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs in item 2013-1 to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School System'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 instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

## **Prince George's County Public Schools Response to Findings**

The School System's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The School System's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 School System'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.

*Beit Smith & Co.*

Washington, D.C.  
September 30, 2013



**INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL  
CONTROL OVER COMPLIANCE; REPORT ON SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARD REQUIRED BY OMB CIRCULAR A-133**

Members of the Board of Education of  
Prince George's County, Maryland  
Washington, D.C.

**Report on Compliance for Each Major Federal Program**

We have audited Prince George's County Public Schools' (the School System) compliance with the types of compliance requirements described in *OMB Circular A-133, Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2013. The School System's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the School System's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School System'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 School System's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the School System complied, in all material respects, with the types of compliance requirements referred to above that that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-02 through 2013-05. Our opinion on each major federal program is not modified with respect to these matters.

The School System's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The School System'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 Control Over Compliance**

Management of the School System is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School System's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the School System's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School System's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance as described in the accompanying schedule of findings and questioned costs as items 2013-03 and 2013-04 that we consider to be significant deficiencies.

The School System's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The School System's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Prince George's County Public Schools as of and for the year ended June 30, 2013 and have issued our report thereon dated September 30, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Beit Smith & Co.*

December 20, 2013  
Washington, D.C.

**PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of Education</b>			
Direct Programs:			
PL-384 Federal Impact Aid	84.041	N/A	\$ 119,366
Smaller Learning Communities	84.215	N/A	1,576,671
Teaching American History	84.215	N/A	283,003
TIF-Teacher Incentive	84.374	N/A	944,187
Gear Up - Federal Steps	84.334	N/A	793,170
Total Direct Programs			3,716,397
<i>Pass-through Programs from Maryland State</i>			
<i>Department of Education:</i>			
Special Education (cluster):			
2012 State Pass-through	84.027	12425801	1,280,809
2012 State Pass-through/IDEA Part B PPPSS	84.027	12425802	1,073
2013 State Part B Pass-through	84.027	13427301	20,649,540
2013 State Part B PPPSS	84.027	13427302	36,715
2013 Part B CEIS	84.027	13427303	2,571,041
SE Advisory Committee	84.027	13427307	2,500
College and Career Readiness	84.027	13427308	9,752
Parent Educator	84.027	13427306	14,997
2012 State Pass-through Carryover and Preschool Carryover	84.027	13519501	96,573
High School Assessment (HSA)	84.027	12460001	7,358
Support For Students With Emotional Disturbance	84.027	12459901	14,053
Infants & Toddlers	84.027	INFOTD4603	247,359
Spec Ed - MSDE Personnel Assignments	84.027	MSDE Contract	279,297
Local Priority Flexibility	84.027	13427309	203,336
MMSR Staff Development	84.173	12456302	3,905
MMSR Staff Development	84.173	13453203	49,856
2013 Preschool Pass-through	84.173	13427304	496,396
2013 Preschool/CEIS	84.173	13427305	66,535
Total Special Education (cluster)			26,031,095
Title I, Part A			
Title I Part A - FY12	84.010	12453901	781,895
Title I Part A - FY13	84.010	13440201	21,851,303
FY 12 Title I School Improvement (SIG) 1003(a)	84.010	12557601	979,958
FY 13 Title I School Improvement 1003(a) Focus Grant	84.010	13505902	201,509
Title I School Improvement 1003(a) Approaching Target Grant	84.010	13506402	248,768
Title I 1003(a) Special Grant for LEA Support to Focus and Approaching Target Schools	84.010	13517402	29,624
Total Title I, Part A			24,093,057
Title I School Improvement			
Title I 1003(g) School Improvement Grant	84.377	11472801	486,663
Title I 1003(g) School Improvement Grant II	84.377	12475301	895,575
Title I 1003(g) School Improvement Grant II	84.377	12475401	67,694
Title I 1003(g) School Improvement Grant II Year 2	84.377	13480301	2,384,975
Title I 1003(g) School Improvement Grant II Year 2 Supplemental	84.377	13505801	6,336
ARRA Title I School Improvement Grant 1003(g) Grant-Year 2	84.388	12539001	2,849,374
ARRA Title I School Improvement 1003(g) Year 3	84.388	13480701	5,348,073
Total Title I School Improvement			12,038,690
Total Title I			
			36,131,747
Enhancing Education Through Technology (cluster)			
Enhancing Education through Technology			
Enhancing Education through Technology	84.318	13474101	90,674
Enhancing Education through Technology	84.318	12566402	30,431
Enhancing Education through Technology	84.318	12566401	20,546
ARRA Enhancing Education through Technology	84.386	12566403	534
Total Enhancing Education Through Technology (cluster)			142,185

*The accompanying notes are an integral part of this Schedule.*

**PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
Perkins - Title IC Program Improvement	84.048	13502701	910,686
Educating Homeless Children & Youth Program			
Educating Homeless Children & Youth Program	84.196	12442801	9,977
Educating Homeless Children & Youth Program	84.196	13511901	78,250
Total Educating Homeless Children & Youth Program			<u>88,227</u>
Title III			
Title III-English Language Acquisition	84.365	11519101	26,054
Title III-English Language Acquisition	84.365	12429601	719,863
Title III-English Language Acquisition	84.365	13422101	1,450,968
Title III-English Language Acquisition	84.365	12547401	13,859
Title III-English Language Acquisition	84.365	13507701	46,757
Title III-English Language Acquisition-Enrichment Instruction Grant	84.365	13528901	2,185
Title III-English Language Acquisition-Enrichment Instruction Grant	84.365	13528902	2,765
Total III			<u>2,262,451</u>
Title II			
Title II – Improving Teacher Quality Grants	84.367	12421401	2,825,532
Title II – Improving Teacher Quality Grants	84.367	13459802	1,366,856
Total II			<u>4,192,388</u>
Race To The Top			
ARRA Race To The Top	84.395	11575301	876,608
ARRA Race To The Top	84.395	11575302	270,893
ARRA Race To The Top	84.395	11575303	10,333
ARRA Race To The Top	84.395	11575304	72,654
ARRA Race To The Top	84.395	11575305	320,634
ARRA Race To The Top	84.395	11575306	123,867
ARRA Race To The Top	84.395	11575307	4,172
ARRA Race To The Top	84.395	11575308	1,673,739
ARRA Race To The Top	84.395	11575309	1,168,671
ARRA Race To The Top	84.395	11575310	980,603
ARRA Race To The Top	84.395	11575311	149,150
ARRA Race To The Top	84.395	11575312	268,023
RTTT Educator Effectiveness Academy and Teacher Induction Academy	84.395	12562601	262,330
RTTT Educator Effectiveness Academy and Teacher Induction Academy	84.395	12562602	3,012
RTTT Incentives for Teachers who obtain ESOL Certification	84.395	12538001	22,500
RTTT Physical Activity	84.395	12542401	459
RTTT Physical Activity	84.395	12573401	15,902
RTTT Coordinated Student Services	84.395	13504201	3,945
RTTT School Health Services Infrastructure Upgrades I Health Suite-Project 48/69	84.395	13505602	25,381
RTTT Career and Technology Education	84.395	12561901	81,330
RTTT World Language Pipeline Grant	84.395	12569201	28,649
RTTT Project 11/29 LEA System Application and Infrastructure Upgrades	84.395	12571201	199,600
RTTT Project 11/29 LEA System Application and Infrastructure	84.395	13489601	25,000
ARRA Education Jobs Fund	84.410	13432001	28,364
RTTT Early Learning Challenge Grant	84.412	13463601	18,692
Total Race To The Top			<u>6,634,511</u>
Total Maryland State Department of Education			<u>76,393,290</u>
<i>Pass-through Program from National Board for Professional Teaching Standards</i>			
Ready to Learn Television	84.925	Service Agreement	4,521
<i>Pass-through Program from Prince George's County Department of Family Services</i>			
Infants and Toddlers	84.181	INF TOD4613	26,809
Infants and Toddlers	84.181	INF TOD4623	359,309
Infants and Toddlers	84.181	INF TOD4633	118,114
Total Infants and Toddlers			<u>504,232</u>
Total Pass-through Programs			<u>76,902,043</u>
Total U.S. Department of Education			<u>\$ 80,618,440</u>

*The accompanying notes are an integral part of this Schedule.*

**PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>			
<i>Pass-through Programs from Maryland State</i>			
<i>Department of Education</i>			
Child Nutrition Cluster:			
Food Commodities	10.555	N/A	\$ 3,298,902
School Breakfast Program	10.553	N/A	10,076,202
National School Lunch Program	10.555	N/A	28,623,108
Summer Food Service	10.559	N/A	290,224
Total Child Nutrition (cluster)			<u>42,288,436</u>
Child & Adult Care Food Program	10.558	N/A	3,266,895
Fresh Fruits & Vegetables	10.582	N/A	532,657
Total U.S. Department of Agriculture			<u>46,087,988</u>
<b>U.S. Department of Health and Human Services</b>			
Direct Programs:			
Head Start	93.600	N/A	6,209,323
Total Head Start			<u>6,209,323</u>
<i>Pass-through Program from Maryland State</i>			
<i>Department of Education</i>			
UMD/NIH-Be Active Kids Physical Education	93.389	University of MD	333
Total U.S. Department of Health and Human Services			<u>6,209,656</u>
<b>U.S. Department of Defense</b>			
Direct Programs:			
JROTC	12.900	N/A	1,970,910
DODEA	12.556	N/A	28,852
Total U.S. Department of Defense			<u>1,999,762</u>
<b>National Aeronautics and Space Administration</b>			
<i>Pass-through Program from Maryland State</i>			
<i>Department of Education:</i>			
JHU - New Horizon	43.006	John Hopkins University	936
Total National Aeronautics and Space Administration			<u>936</u>
<b>National Science Foundation</b>			
<i>Pass-through Program from Maryland State</i>			
<i>Department of Education:</i>			
Minority Student Pipeline Math Science Partnership	47.076	University System of MD	1,015,669
Total National Science Foundation			<u>1,015,669</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 135,932,451</u></u>

*The accompanying notes are an integral part of this Schedule.*

**PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2013**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the School under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the School System, it is not intended to and does not present the net position of the School System and the changes in its net position.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State and Local Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 RECONCILIATION OF FINANCIAL STATEMENTS TO THE SCHEDULE**

**Revenues per the Statements of Revenues, Expenditures and Changes in Net Position**

Federal - General Funds	\$ 98,347,179
Federal - Special Revenue	42,789,086
Federal - Donated	<u>2,799,338</u>
<b>Total per Financial Statement</b>	<b><u>\$143,935,603</u></b>
 Expenditures of Federal Awards	 \$135,932,451
Federal revenues included in the basic financial statement that are not required to be included in the Schedule:	
Medicaid funds	4,256,420
Adjustments to account for encumbrances and prior year revenue	4,246,296
Increase in USDA Commodities on hand at 6/30/13	<u>(499,564)</u>
 <b>Total Expenditures per Schedule of Expenditures of Federal Awards (SEFA)</b>	 <b><u>\$143,935,603</u></b>

**PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Section I: Summary of Auditors' Results**

***Financial Statements***

- |   |               |
|---|---------------|
| 1. Type of auditors' report issued:   | Unmodified    |
| 2. Internal control over financial reporting:   |               |
| • Material weakness(es) identified?   | Yes           |
| • Significant deficiency(ies) identified that are not considered to be material weakness(es)? | None reported |
| • Noncompliance material to financial statements noted?                                       | No            |

***Federal Awards***

- |   |            |
|---|------------|
| 1. Internal control over major programs:  |            |
| • Material weakness(es) identified?   | No         |
| • Significant deficiency(ies) identified that are not considered to be material weakness(es)?                         | Yes        |
| 2. Type of auditors' report issued on compliance for major programs:  | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | Yes        |

4. Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster
84.010	Title I
84.377/84.388	School Improvement Grant
10.558	Child and Adult Care Food Program
84.367	Title II
84.027/84.173/84.391/84.392	Special Education Cluster
84.395	Race to Top
93.900	Head Start

- |   |             |
|---|-------------|
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$3,000,000 |
| 6. Auditee qualified as a low risk auditee:                                 | Yes         |

**PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**Section II: Financial Statement Findings**

**2013-1**

**Analyzing and Reconciling Capital Assets**

The Prince George's County Public Schools (the School System) has policies and procedures that are used to process and track the School System's capital assets, which is its largest asset with a historical value that exceeds \$1 billion. During the audit of capital assets, we identified several deficiencies in those controls and processes which caused capital assets to be misstated; which results in the School System being vulnerable to continuous misstatements in the future if left uncorrected. The internal control issues are as follows:

- The School System withholds a certain amount from a construction contractor's invoice (contract retainage) before payment is made for work completed. The School System was not recording the contract retainage in its fixed assets module system until the retainage was paid to the contractor, resulting in the School System's construction in progress account being understated.
- The School System assigns an asset number to each capital asset recorded in its fixed asset module. Included in the module was an asset number entitled "CIP clearing account" which was used to record capital project expenditures that the School System had not determined whether the expenditures should be capitalized. The School System subsequently performed an analysis of the clearing account and determined that the majority of the expenditures should not have been recorded in the fixed asset module and the remaining expenditures should have been recorded to another asset category and depreciated.
- The School System identified a significant amount of capital project expenditures incurred during the fiscal year that had not been capitalized in the fixed asset module. The School System performed an analysis on a large portion of the expenditures as part of the audit and determined that over 50% of the expenditures should have been capitalized. It has not performed an analysis on the remaining expenditures to determine if they should be capitalized.
- The School System completed a renovation project earlier in the year. The project costs had not been moved from construction in progress to a site improvements asset account. As a result, depreciation expense had not been recorded in the general ledger for the site improvement costs.
- Governmental entities are required to perform an analysis of its capital assets to determine if any impairment exists. The School System addresses impairment in its accounting manual, but it does not outline specific policies and procedures to identify capital assets that are impaired.

**PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**Section II: Financial Statement Findings (Continued)**

The School System is not adequately analyzing and reconciling its general ledger and fixed assets module to identify capital assets which are not properly recorded. As a result, significant post-closing adjustments to its capital assets accounting information were necessary. Failure to maintain proper accounting practices and internal controls may result in over or under reporting of accounting estimates for capital assets thus having a material effect on financial reporting. It is imperative that the analyses and reconciliations are performed to ensure that the School System's capital assets are properly accounted for.

**Recommendations:** We recommend that the School System perform the following corrective actions: (a) record contract retainages in the fixed asset module when incurred; (b) eliminate the clearing account in the fixed asset module; (c) reconcile the general ledger and fixed asset module on a monthly basis to identify capital assets not recorded and assess whether the capital assets should be capitalized; (d) review the status of the capital projects on periodic basis to determine whether any of the projects have been completed and thus should be transferred from construction in progress and depreciated; and (e) develop written policies and procedures on identifying capital asset impairment.

**Views of Responsible Management Official and Corrective Action Plan:** The School System concurs with the finding and will take corrective action to incorporate additional procedures and policies to correct all deficiencies identified within the Capital Projects Fund, as well as follow-up measures to ensure compliance. This will include:

- (1) Performing monthly reconciliations between the general ledger and fixed asset modules, to ensure proper recording of all transactions.
- (2) Generating journals to record retainage in the fixed assets module.
- (3) Initiating procedures, including a crosswalk between general ledger project number and capital asset numbers, to ensure that the clearing account is zeroed out and assigned to particular projects prior to the monthly close of the fixed assets module.
- (4) Performing quarterly review of projects to determine if any should be moved from construction in progress, and
- (5) Development of policies and procedures regarding capital asset impairment.

**PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**Schedule III: Federal Award Findings and Questioned Costs**

<b>2013-2</b>	<u><i>Completion of Semi-Annual Certifications</i></u>				
<b>Program(s):</b>	84.010 (Title I) and 93.600 (Head Start)				
<b>Criteria:</b>	<p>Under OMB Circular A-87 Cost Principles, "where employees are expected to work solely on a Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi- annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee."</p> <p>The same requirement applies to matching costs under OMB Circular A-102.</p>				
<b>Condition:</b>	The School System was unable to provide semi-annual certifications for 2 out of 50 employees tested whose salaries and wages were charged solely to the Title I and Head Start grant programs.				
<b>Cause:</b>	The School System is not adequately reviewing the payroll costs charged to its federal programs to ensure that the semi-annual certifications are performed for all employees.				
<b>Effect:</b>	Employees' salaries and wages not supported with a semi-annual certification are considered unallowable costs under the A-87 Cost Principles.				
<b>Recommendation:</b>	We recommend that the School System periodically review the payroll costs charged to its federal programs to help ensure that applicable semi-annual certifications are properly completed for the costs charged.				
<b>Questioned Costs:</b>	<table><tr><td>Title I</td><td>\$43,082</td></tr><tr><td>Head Start</td><td>\$11,862</td></tr></table>	Title I	\$43,082	Head Start	\$11,862
Title I	\$43,082				
Head Start	\$11,862				
<b>Views of Responsible Officials and Planned Corrective Action:</b>	<p><b>Concur.</b> The School System concurs with this finding and will take corrective action to alleviate this finding in the future by:</p> <ol style="list-style-type: none"><li>1. Continuing to monitor and correct payroll charges to all grants prior to posting costs to the General Ledger during each pay cycle.</li><li>2. Continuing to work with our Information Technology department to re-establish electronic alerts that will notify Program Managers of staff costed to their grant funded programs on a monthly basis to ensure all personnel being supported by grant funded resources are correct and align as appropriate with the staffing component in the approved application.</li><li>3. The Grants Financial Management Office (GFMO) will collaborate with the Enterprise Performance Management Office to ensure all semi-annual certifications and time and attendance reports for all Federal grant funded programs are filed in a timely manner and are consistent with approved staffing information contained in the approved grant application.</li></ol>				

**PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**Schedule III: Federal Award Findings and Questioned Costs**

<b>2013-3</b>	<b><u>Verification of Vendor Federal Debarment or Suspension</u></b>
<b>Program(s):</b>	84.010 (Title I); 84.367 (Title II); 84.377/84.388 (School Improvement Grant); 84.027/84.173 (Special Education Cluster); 84.395 (Race to Top); 93.600 (Head Start); and 10.553/10.555/10.5559 (Child Nutrition Cluster)
<b>Criteria:</b>	Compliance supplement guidelines states, "When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity and its principals, as defined in 2 CFR section 180.995 and agency adopting regulations, are not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2CFR section 180.300)."
<b>Condition:</b>	The School System was unable to provide evidence that it verified that the vendors of procurements funded with federal funds were not included on the federal debarred or suspended list.
<b>Cause:</b>	The School System has procedures outlined in its procurement manual for verifying vendor debarment or suspension status with the federal government. The School System, however, did not follow those procedures.
<b>Effect:</b>	The School System may have awarded a contract to a vendor that has been debarred or suspended from working with the federal government.
<b>Recommendation:</b>	We recommend that the School System follow its procedures for verifying vendor debarment or suspension at the federal level and to document its verification in the School System's files.
<b>Questioned Costs:</b>	\$-0-
<b>Views of Responsible Officials and Planned Corrective Action:</b>	<p><b>Concur.</b> The School System concurs with this finding and the Procurement Office will ensure that proper procedures are enforced to screen and document vendors of procurements with federal funds are verified for debarment or suspension status by individual vendor by:</p> <ol style="list-style-type: none"><li>1. Assigning one person in the purchasing department to verify vendor debarment and suspensions for all contracts related to Federal grants.</li><li>2. Completing a review of all current contracts by March 31, 2014 to ensure no current vendors are on the Federal debarment or suspension listing.</li><li>3. Attaching debarment and suspension reports to all requests for award before the agreement is approved and executed.</li></ol>

**PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**Schedule III: Federal Award Findings and Questioned Costs (*Continued*)**

<b>2013-4</b>	<b><u>Documentation and Retention of Procurement Vendor Selections</u></b>
<b>Program(s)</b>	84.010 (Title I); 84.367 (Title II); 84.377/84.388 (School Improvement Grant); 84.395 (Race to Top); and 10.553/10.555/10.5559 (Child Nutrition Cluster)
<b>Criteria:</b>	OMB Circular A-102 states that grantees must maintain records sufficient to detail the significant history of a procurement. These records must include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection and the basis for the contract price.
<b>Condition:</b>	<p>The School System has a procurement manual and written administrative procedures that outline the procedures and documentation requirements for selecting certain vendors for goods and services. The School System has certain procurements where the vendors are selected by the different department heads. Of these 19 procurements tested, the School System did not have any formal written documentation for 14 procurements, which outlined the process used to select the vendors prior to the goods and services being procured. Informal narratives were provided during the audit that summarized the reason certain vendors were selected.</p> <p>For the other 39 procurements tested, the School System was unable to provide any supporting documentation for 5 of the procurements tested nor evidence of Board approval for 1 procurement.</p>
<b>Cause:</b>	The School System is not enforcing its procurement procedures that require certain steps to be completed and documented for selecting certain vendors. The School System did not have any procurement procedures effective for fiscal year 2013 that required it to document how vendors were selected for instructional services. These procedures were subsequently developed and became effective for fiscal year 2014.
<b>Effect:</b>	The School System may have selected vendors that are not in accordance with the School System's and federal requirements.
<b>Recommendations:</b>	We recommend that the School System enforce its procurement and administrative procedures for selecting and documenting the selection of vendors. We also recommend that the School System follow its fiscal year 2014 administrative procedures for documenting the selection of vendors for instructional services for its future procurements.
<b>Questioned Costs:</b>	\$-0-
<b>Views of Responsible Officials and Planned Corrective Action:</b>	<b>Concur in part.</b> The School System concurs with this finding in part. The School System is compliant in part as it relates to the requirements contained in OMB Cir A-102. The district has Administrative Procedure 6180.1 "Evaluation, Selection and Review of Classroom Instructional Materials" effective from January 1, 2008 – June 30, 2013 which covers the audit scope period of fiscal year 2013 contrary to what is reflected in the report.

**PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**Schedule III: Federal Award Findings and Questioned Costs (*Continued*)**

The purpose of the procedure is to establish an evaluation; selection and review process which best provide material of instruction deemed appropriate by the Board of Education.

To ensure that information regarding the selection of vendors is in the audit file the Purchasing Department:

1. Will ensure that all Program Managers have an updated copy of the Purchasing Manual and revised Administrative Procedure 6180.1 that expands to include instructional services.
2. Will ensure that in all training grant Program Managers are informed that a copy of all information used to select vendors should be forwarded to purchasing.
3. Will ensure that all Program Managers are aware of all information that needs to be included in their selection information packet.

**Auditor's Response:**

We have evaluated the School System's response to the finding and determined that although it discusses instructional materials it does not address instructional services as stated in our finding.

**PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**Schedule III: Federal Award Findings and Questioned Costs (*Continued*)**

**2013-5** *Retention of Expenditure Supporting Documentation*

**Program(s):** 84.367 (Title II) and 84.377/84.388 (School Improvement Grant)

**Criteria:** OMB Circular A-87 cost principles states that costs must be adequately supported with documentation to be allowable under Federal awards.

Federal recipients also must maintain adequate internal controls over the administration of federal programs.

**Condition:** Our review of Title II and School Improvement Grant expenditures showed that some of the payroll and non-payroll expenditures were not adequately supported with documentation.

*Payroll*

- The School System charged training hours totaling \$933 for 1 employee to the Title II program for which it was unable to provide evidence of the grant Program Manager's authorization of the charges. The total number of payroll transactions tested was 25.

*Non-payroll*

- The School System provided incomplete supporting documentation for 1 travel transaction tested. The amount not supported was \$521. The total number of non-payroll transactions tested was 60.

**Cause:** The grant Program Manager's authorization documentation was not available for review. The travel supporting documentation did not agree to the total because the School System charged the costs to the grant based on the amounts reflected in the purchase order.

**Effect:** The payroll and non-payroll transactions that were not supported with adequate documentation are considered unallowable costs under the federal programs.

**Recommendations:** We recommend that the School System improve its retention of the grant expenditure documentation. We also recommend the School System perform a reconciliation between the grant charges to the actual receipts to determine whether the costs were properly charged.

**Questioned Costs:**

School Improvement Grant	\$521
Title II	\$933

**Views of Responsible Officials and Planned Corrective Action:**

**Non-Concur.** The School System does not concur with the Payroll portion of this finding, because approval for the charges was provided to the auditors. Adequate supporting documentation was provided contrary to alleged condition noted in the audit report which included:

- Authorization and validation of hours worked on the project by the Program Manager responsible for the implementation of the approved grant activity;

**PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**Schedule III: Federal Award Findings and Questioned Costs (*Continued*)**

- Statement of Earnings that reflected and matched the hours worked and paid from a comprehensive temporary hourly instructional pay spreadsheet provided by the designated office (Human Resources) managing the activity.

This activity is documented and approved in the Title II grant application found in the School System's annual Bridge to Excellence Master Plan document approved by the Maryland State Department of Education.

The School Improvement Grant questioned cost in the amount of \$521.00 is associated with batch payments of travel transactions paid from the American Express accounts. Adequate documentation (Actual Airline Tickets) was provided for each selected traveler in the transaction sample which validated the actual cost of the travel. The difference in the test G/L amount and the actual cost (\$521.00) is as a result of the systemic batch payment process initiated by the Accounts Payable Department. We will work with the Accounts Payable and Purchasing Departments to ensure that the information is posted to the correct line of the purchase order going forward. This will entail the purchasing department including both a purchase order number and line number for all American Express charges.

**Auditor's Response:**

We have evaluated the School System's response to the finding. We disagree with a portion of the School System's response related to the payroll finding, because the Program Manager referenced in the response is the Human Resource Manager and not the grant Program Manager who is responsible for the administration of the federal grant program.

As it relates to the second portion of the finding, the School did not provide supporting documentation for the \$521, as required by federal cost principles.

**PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS**  
**SUMMARY SCHEDULE OF PRIOR YEAR SINGLE AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

<b>Audit No.</b>	<b>Program</b>	<b>CFDA</b>	<b>Finding</b>	<b>Status</b>
2012-1	Title II	84.367	Payroll Costs were not consistently approved by supervising staff.	Not corrected
2012-2	Title II	84.367	The Schedule of Federal Awards included program expenditures for FY 2011.	Corrected