

PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS
Upper Marlboro, Maryland

REPORT ON SINGLE AUDIT
June 30, 2014

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

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, the business-type 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 June 30, 2014, 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 October 21, 2014.

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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the

accompanying schedule of findings and questioned costs as items 2014-001 and 2014-002 that we consider to be significant deficiencies.

Compliance and Other Matters

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

Prince George's County Public Schools' Responses to Findings

Prince George's County Public Schools' responses to the audit findings reported in the schedule of findings and questioned costs were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the 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 School System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

Baltimore, Maryland

October 21, 2014

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

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

Report on Compliance for Each Major Federal Program

We have audited the Prince George's County Public School (the School System) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the System's major federal programs for the year ended June 30, 2014. The School System's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed other 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 2014-003 through 2014-004. 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 them.

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 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 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs, as items 2014-003 through 2014-004 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 them.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School System as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School System’s basic financial statements. We issued our report thereon dated October 21, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

Baltimore, Maryland

December 12, 2014 except for the Schedule of

Expenditures of Federal Awards which is dated October 21, 2014

PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Direct Programs:			
PL-384 Federal Impact Aid	84.041	N/A	\$ 146,751
Smaller Learning Communities	84.215	N/A	254,406
Gear Up - Federal Steps	84.334	N/A	1,022,633
Subtotal Direct Programs			<u>1,423,790</u>
Pass-through Programs From Maryland State			
Department of Education:			
Special Education Cluster			
2013 State Part B PPPSS	84.027	13427302	39,813
2013 Part B CEIS	84.027	13427303	1,086,509
2014 State Passthrough/Part B Passthrough	84.027	14427201	19,374,165
2014 State Passthrough/Part B PPPSS	84.027	14427202	2,320
2014 State Passthrough/Part B CEIS	84.027	14427203	2,821,967
Local Priority Flexibility	84.027	14427208	309,426
SE Citizens Advisory	84.027	14427207	1,460
College and Career Readiness	84.027	13427308	248
Spec Ed - MSDE Personnel Assignments	84.027	MSDE Contract	240,877
Local Priority Flexibility	84.027	13427309	164,969
2013 IDEA Part B Passthrough	84.027	14505401	5,797
2013 IDEA Part B PPPSS	84.027	14505402	21
2013 IDEA Part B CEIS	84.027	14505403	1,027
2014 IDEA Part B Discretionary	84.027	14427301	853,567
2014 IDEA Part B Preschool Discretionary	84.173	14427302	9,994
MMSR Staff Development	84.173	14457202	41,543
2014 IDEA Part B-Preschool Passthrough	84.173	14427204	487,137
2014 IDEA Part B-Preschool PPPSS	84.173	14427205	693
2014 IDEA Part B-Preschool CEIS	84.173	14427206	7,368
2013 Preschool/CEIS	84.173	13427305	21,064
Subtotal Special Education Cluster			<u>25,469,965</u>
Pass-through Prince George's County			
Department of Family Services:			
Infants and Toddlers	84.181	INFTOD4603	11,401
Infants and Toddlers	84.181	INFTOD4604	277,685
Infants and Toddlers	84.181	INFTOD4634	159,874
Special Education-Grants for Infants and Families			<u>448,960</u>
Title I, Part A			
Title I Part A - FY14	84.010	14447501	21,628,132
Title I Part A - FY13	84.010	13440201	5,104,306
Title I School Improvement (SIG) 1003(a) Focus Grant	84.010	13505902	185,791
Title I School Improvement (SIG) 1003(a) Focus Grant	84.010	14480401	165,489
Title I School Improvement 1003(a) Approaching Target Grant	84.010	13506402	565,222
Title I School Improvement 1003(a) Approaching Target Grant	84.010	14512701	253,041
Title I 1003(a) Special Grant for			
LEA Support to Focus and Approaching Target Schools	84.010	13517402	866,050
Total Title I, Part A			<u>28,768,031</u>

PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014
(Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education (cont.)			
Pass-through Programs From Maryland State			
Department of Education (cont.):			
School Improvement Grant Cluster- ARRA			
Title I 1003(g) School Improvement Grant II Year 2	84.377	13480301	\$ 100,572
Title I 1003(g) School Improvement Grant II Year 3	84.377	14430401	2,647,286
Title I 1003(g) School Improvement Grant	84.388	12539001	381,743
Title I 1003(g) School Improvement Grant	84.388	13480701	735,865
Subtotal School Improvement Grant Cluster- ARRA			<u>3,865,466</u>
Career and Technical Education			
Carl Perkins- Title IC Program Improvement	84.048	14482601	1,001,554
Title IC Program Improvement-Homeland Security-CTE	84.048	14482701	1,200
Title IB Non-Traditional-CASE-CTE	84.048	14482702	12,001
Title IB Non-Traditional-Computer Science-CTE	84.048	14482703	5,890
Subtotal Career and Technical Education			<u>1,020,645</u>
Education for Homeless Children and Youth Cluster			
FY 13 Educating Homeless Children & Youth Program	84.196	13511901	6,750
FY 14 Educating Homeless Children & Youth Program	84.196	14496901	80,380
Subtotal Education for Homeless Children and Youth Cluster			<u>87,130</u>
English Language Acquisition			
FY 12 Title III-English Language Acquisition	84.365	12429601	176,379
FY 13 Title III-English Language Acquisition	84.365	13422101	1,251,784
FY 14 Title III-English Language Acquisition	84.365	14458901	1,751,034
Subtotal English Language Acquisition			<u>3,179,197</u>
Improving Teacher Quality			
FY 12 Improving Teacher Quality-Title II	84.367	12421401	179,805
FY 13 Improving Teacher Quality-Title II	84.367	13459802	1,744,511
FY 14 Improving Teacher Quality-Title II	84.367	14477401	1,584,041
Subtotal Improving Teacher Quality			<u>3,508,357</u>
Race to the Top- ARRA			
ARRA Race To The Top	84.395	11575301	1,859,584
ARRA Race To The Top	84.395	11575302	26,683
ARRA Race To The Top	84.395	11575303	73,538
ARRA Race To The Top	84.395	11575304	379,641
ARRA Race To The Top	84.395	11575305	373,544
ARRA Race To The Top	84.395	11575306	121,512
ARRA Race To The Top	84.395	11575307	4,178
ARRA Race To The Top	84.395	11575308	1,046,017
ARRA Race To The Top	84.395	11575309	1,093,276
ARRA Race To The Top	84.395	11575310	1,126,286
ARRA Race To The Top	84.395	11575311	555,594
ARRA Race To The Top	84.395	11575312	390,435

PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014
(Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education (cont.)			
Pass-through Programs From Maryland State			
Department of Education (cont.):			
Race to the Top- ARRA (cont.)			
RTTT Compensation Incentives for Teachers and Principals in the Lowest 5% of Schools (33/50)	84.395	13524701	\$ 358,401
RTTT Educator Effectiveness Academy and Teacher Induction Academy	84.395	13531301	460,122
RTTT Physical Activity	84.395	13533801	12,237
RTTT Elementary STEM Certification	84.395	14418801	27,199
RTTT Teach for Maryland	84.395	14472201	2,022
RTTT World Language Pipelines Grant, Spanish STEM	84.395	14487601	5,816
RTTT Summer Staging Institute Project 47/45	84.395	14482001	19,876
RTTT Student Instructional Intervention System Project 21/42	84.395	14517401	10,990
Career and Technology Education-STEM Project Lead the Way	84.395	14521901	14,740
Subtotal Race to the Top-ARRA			<u>7,961,691</u>
 FY13 RTTT Early Learning Challege Grant	 84.412	 13463601	 150,562
FY14 RTTT Early Learning Challege Grant	84.412	14461801	73,735
Subtotal Race to the Top – Early Learning Challenge			<u>224,297</u>
 National Board for Professional Teaching Standards	 84.925	 Service Agreement	 <u>18,782</u>
Total U.S. Department of Education			<u>75,976,311</u>
U.S. Department of Agriculture			
Pass-through Programs From Maryland State			
Department of Education			
Child Nutrition Cluster:			
Food Commodities	10.555	N/A	3,303,462
School Breakfast Program	10.553	N/A	11,345,358
National School Lunch Program	10.555	N/A	30,397,540
Summer Food Service	10.559	N/A	543,557
Healthy Hunger Free Kids Act Training & Marketing Plan	10.560	13538501	8,202
Healthy Hunger Free Kids Act Training & Marketing Plan	10.560	154523-01	969
Total Child Nutrition Cluster			<u>45,599,088</u>
 Child & Adult Care Food Program	 10.558	 N/A	 <u>3,438,401</u>
 Fresh Fruits & Vegetables	 10.582	 N/A	 <u>706,645</u>
Total U.S. Department of Agriculture			<u>49,744,134</u>
U.S. National Science Foundation			
Pass-through Programs From Maryland State			
University System of Maryland			
Minority Student Pipeline Math Science Partnership	47.076	N/A	<u>952,215</u>

PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014
(Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
Pass-through Programs From Maryland State Department of Education			
UMD/NIH-Be Active Kids Physical Education	93.389	N/A	\$ 514
Direct Programs:			
Head Start	93.600	N/A	5,909,158
Total U.S. Department of Health and Human Services			<u>5,909,672</u>
U.S. Department of Defense			
Direct Programs:			
JROTC	12.900	N/A	1,794,733
DODEA	12.556	N/A	4,000
Total U.S. Department of Defense			<u>1,798,733</u>
Total Expenditures of Federal Awards			<u><u>\$ 134,381,065</u></u>

PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting School

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Prince George's County Public Schools (the Schools) for the year ended June 30, 2014.

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes all Federal grants to the Schools that had activity during the fiscal year ended June 30, 2014. The Schedule was prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE 2 – RELATION TO THE BASIC FINANCIAL STATEMENTS AND FEDERAL FINANCIAL REPORTS

Total expenditures per the Schedule of Expenditures of Federal Awards reconciles to the Schools' basic financial statements as follows:

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

Federal - General Funds	\$ 87,252,369
Federal - Special Revenue	47,092,882
Federal - Donated	<u>3,155,587</u>

Total Per Financial Statements \$ 137,500,838

Expenditures of Federal Awards	\$ 134,381,065
Federal revenues included in the basic financial statements that are not required to be included in the schedule:	
Medicaid funds	5,095,033
Adjustments to account for encumbrances and prior year revenue	(2,488,766)
Increase in USDA Commodities on hand at 6/30/14	<u>513,506</u>

Total Per Financial Statements \$ 137,500,838

**PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014**

I. Summary of Independent Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs: Unmodified

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

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	_____ <u>X</u> _____	Yes	_____	No
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Identification of Major Programs Name of Federal Program or Cluster	CFDA Number(s)
Child Nutrition Cluster	10.553,10.555,10.559
Title I	84.010
School Improvement Grant Cluster- ARRA	84.377,84.388
Child and Adult Care Food Program	10.558
Title II	84.367
Special Education Cluster	84.027,84.173
Race to the Top- ARRA	84.395
English Language Acquisition	84.365
Head Start	93.600

Dollar threshold used to distinguish between type A and type B programs: \$ 3,000,000

Auditee qualified as low-risk auditee?	_____	Yes	_____ <u>X</u> _____	No
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PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014

II. Financial Statement Findings

Finding Reference: 2014-001: Fixed Asset Accounting

Condition/Context

The School System must maintain internal controls over capital asset expenditures to ensure the capital assets are properly included in the financial reports of the School System.

Criteria

Failure to maintain proper accounting practices and internal controls may result in over or under reporting of capital assets.

Cause

The School System's existing process did not appropriately identify capital expenditures in construction-in-progress that should have been removed from construction-in-progress.

Effect

As a result, significant post-closing adjustments to its capital assets were necessary to remove items that were incorrectly included in construction-in-progress.

Recommendation

We recommend management continue its implementation of its policies and procedures for fixed asset reconciliations.

Views of Responsible Management Official and Corrective Action Plan

Concur. Management will continue implementing its policies and procedures related to fixed asset reconciliations. This will include specific identification and documentation of which capital expenditure types are appropriate to be included or excluded within the construction-in-progress accounts, clearly reflecting the treatment of these expenditures within the monthly reconciliations between fixed asset activity and the general ledger.

Finding Reference: 2014-002: Accounts Payable Cutoff

Condition/Context

During our search for unrecorded liabilities, we noted several exceptions in which invoices relating to goods received or services performed prior to the year-end date were not recorded as payables in the correct year.

Criteria

Proper cutoff procedures are critical for the accuracy of financial statements.

Cause

When the School System purchases goods and services, the date goods are received or services are performed determine the fiscal year in which the related expenditure should be recorded.

PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014

Effect

The financial statements may be materially inaccurate.

Recommendation

We recommend management extend its search for unrecorded liabilities to include capture amounts applicable to the appropriate accounting period or develop a process to provide a reasonable estimate of goods received and services preformed but not yet billed.

Views of Responsible Management Official and Corrective Action Plan

Concur. Goods ordered for the Summer Food Program are typically received in the subsequent fiscal year, when summer school revenues are also recorded. In FY 2014, goods were delivered earlier than anticipated. Food and Nutrition Services (FNS) will be moving to a new Menu and Inventory module of its Point-of-Sale software program, which will centralize ordering, eliminating the possibility of early delivery of goods. In addition, the Special Revenue Accountant will implement additional cut-off procedures, including making inquiries of FNS staff, to ensure that invoices for items received at year end are recorded in the correct fiscal year.

III. Federal Award Findings and Questioned Costs

Finding Reference: 2014-003

Federal Agency:	U.S. Department of Agriculture
CFDA-Federal Program:	10.553, 10.555, 10.559 – Child Nutrition Cluster
Grant Year:	2014
Compliance Requirement:	Eligibility- Income Verification
Type of Finding:	Significant Deficiency in Internal Control, Noncompliance

Condition/Context

The School System failed to change the eligibility status for 2 out of the 40 students selected for the income verification testing.

Criteria

USDA requires verification of free and reduced price applications. By November 15th of each school year, the local education agency (LEA) (or State in certain cases) must verify the current free and reduced price eligibility of households selected from a sample of applications that it has approved for free and reduced price meals, unless the LEA is otherwise exempt from the verification requirement. The verification sample size is based on the total number of approved applications on file on October 1st. The LEA must follow-up on children whose eligibility status has changed as the result of verification activities to put them in the correct category.

Questioned Costs

Undetermined. Questioned costs would be applicable if the ineligible children received a meal which was reimbursed by the State.

**PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014**

Cause

The error was caused by an oversight during the review process.

Effect

Ineligible students may receive free or reduced meals.

Recommendation

We recommend that the School System review their current procedures for updating and verifying students' eligibility status in the system.

Views of Responsible Management Official and Corrective Action Plan

Concur. In August 2013, the Child & Nutrition Services implemented MCS, which is the School System's new application verification processing software. As a result, errors occurred due to staff's unfamiliarity with the new software system. To ensure that the eligibility status for each student is verified, the following procedures will be reinforced.

1. Notice of adverse action will be sent to households with reduced or terminated benefits and benefits will be reduced or denied in 10 days.
2. By November 15th, the Application Manager will have verified that all households selected for verification have been updated in the Franklin System and confirm any changes to eligibility status.

Responsible Official: Wanda Contee, Program Manager Department of Food and Nutrition Services

Completion date: November 2014

PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014

Finding Reference: 2014-004

Federal Agency: U.S. Department of Education
CFDA-Federal Program: 84.395, 84.412 Race to the Top
84.010 Title I
84.027/84.173 Special Education Cluster
84.377/84.388 School Improvement Grant Cluster
84.367 Title II
Grant Year: various
Compliance Requirement: Suspension and Debarment
Type of Finding: Significant Deficiency in Internal Control, Noncompliance

Condition/Context

The School System did not document their assessment of contractor's suspension and debarment status.

We identified 2 out of 4 Race to the Top, 1 out of 8/8 Title I, 1 out of 4 Special Education cluster, 1 out of 4 School Improvement Grants and 2 out of 2 Title II procurement files were not in compliance with the requirement.

Criteria

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

Questioned Costs

None of the costs were deemed unallowable.

Cause

The School System is in the process of updating all procurement files to include their assessment of the contractor's suspension and debarment status but had not updated all files prior to our audit.

Effect

The School System cannot support its compliance with the federal suspension and debarment compliance requirement.

Recommendation

We recommend that the School System continue current efforts to update all contractor procurement files. We also recommend that the School System enhance written procedures to ensure that documentation of a contractor's suspension and debarment status is included in the procurement files going forward.

PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014

Views of Responsible Management Official and Corrective Action Plan

Concur. In December 2013, an action plan was put in place to verify suspension and debarment for all active contracts from 2011 through 2014. Since December 2013, the process has been on-going. Our goal is to ensure that we continue to enforce the procedures to screen and document vendors for debarment or suspension status for each vendor by:

1. Assigning a person in the Purchasing department to verify vendor debarment and suspensions for all contracts.
2. Completing a review of all current contracts by December 19, 2014 to ensure no current vendors are on the Federal debarment or suspension listing.
3. Attaching debarment and suspension reports to all requests for award before the agreement is approved and executed.

Responsible Official: Brenda Allen, Director of Purchasing and Supply Services
Completion date: March 31, 2015

PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS
SCHEDULE OF PRIOR YEAR FINDINGS
June 30, 2014

Finding Reference: 2013-002

CFDA-Federal Program: 84.010- Title I and 93.600 (Head Start)
Compliance Requirement: Completion of Semi-Annual Certifications
Type of Finding: Significant deficiency

Condition: 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.

Current status: **Resolved,** The program identified above were selected as major for the current year. We tested the Board's compliance with the allowable cost and activities requirement. No exceptions were noted.

Finding Reference: 2013-003

CFDA-Federal Program: 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)

Compliance Requirement: Verification of Vendor Federal Debarment or Suspension
Type of Finding: Significant deficiency

Condition: 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.

Current status: **Partially Resolved,** repeated at finding 2014-004

Finding Reference: 2013-004

CFDA-Federal Program: 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)

Compliance Requirement: Documentation and Retention of Procurement Vendor Selections
Type of Finding: Significant deficiency

Condition: 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.

PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS
SCHEDULE OF PRIOR YEAR FINDINGS
June 30, 2014

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.

Current status: **Resolved**, the System's compliance with the federal procurement requirement was tested for all major programs selected for testing. Except for documentation of a vendor's suspension and debarment status (finding 2014-004), the System provided documentation to support compliance with the requirement.

Finding Reference: **2013-005**

CFDA-Federal Program: 84.367- Title II and 84.377/84.388 School Improvement Grant

Compliance Requirement: Retention of Expenditure Supporting Documentation

Type of Finding: Significant deficiency

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

Current status: **Resolved**, The programs identified above were selected as major for the current year. We tested the Board's compliance with the allowable cost and activities requirement. No exceptions were noted.