

PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS
Upper Marlboro, Maryland

REPORT ON SINGLE AUDIT
June 30, 2015

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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, 2015, 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 29, 2015.

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, we identified certain deficiencies in internal control that we consider to be significant deficiencies. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to fraud or error may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 as item 2015-001 to be a material weakness.

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. We consider the deficiencies described in the schedule of findings and questioned costs as item 2015-002 and 2015-003 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
December 8, 2015

**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 School System's major federal programs for the year ended June 30, 2015. 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, 2015.

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 item 2015-004. 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 a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs, as item 2015-004 that we consider to be a significant deficiency.

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, 2015, and the related notes to the financial statements, which collectively comprise the School System's basic financial statements. We issued our report thereon dated September 29, 2015, 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 expenditures 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 8, 2015, except for the Schedule of

Expenditures of Federal Awards which is dated September 29, 2015.

PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

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	\$ 110,520
Gear Up - Federal Steps	84.334	P334A080082-13	287,688
Smaller Learning Communities	84.215	N/A	6,250
Subtotal Direct Programs			<u>404,458</u>
Pass-through Programs From Maryland State			
Department of Education:			
Special Education (cluster):			
Preschool Pass-through/PPPSS	84.173	12425804	30
2013 State Part B PPPSS	84.027	13427302	24,975
2013 Part B CEIS	84.027	13427303	74,715
Local Priority Flexibility	84.027	13427309	11,765
2014 State Pass-through/Part B PPPSS	84.027	14427202	74,640
2014 State Pass-through/Part B CEIS	84.027	14427203	396,981
2014 IDEA Part B-Preschool CEIS	84.173	14427206	76,965
SE Citizens Advisory	84.027	14427207	1,040
Local Priority Flexibility	84.027	14427208	71,313
2014 IDEA Part B Discretionary	84.027	14427301	8,473
IDEA Part B 611 Discretionary Grant	84.027	14531901	294,925
2015 State Pass-through/Part B Pass-through	84.027	15420801	20,222,466
2015 State Pass-through/Part B PPPSS	84.027	15420802	23,267
2015 State Pass-through/Part B CEIS	84.027	15420803	3,105,069
2015 IDEA Part B-Preschool Pass-through	84.173	15420804	485,496
2015 State Pass-through/Part B PPPSS	84.173	15420805	2,334
2015 IDEA Part B-Preschool CEIS	84.173	15420806	45,414
SE Citizens Advisory	84.027	15420807	1,724
Local Priority Flexibility	84.027	15420808	120,082
Spec Ed - MSDE Personnel Assignments	84.027	MSDE Contract	147,212
IDEA Part B NCSC Assessment	84.027	15552401	11,670
R4K Preschool Part B 611 Discretionary	84.027	15536001	17,514
Subtotal Special Education Cluster Passed through from Maryland State Department of Education			<u>25,218,070</u>
Pass-through Prince George's County			
Department of Family Services:			
Infants and Toddlers	84.027	14455402	76,880
Infants and Toddlers	84.173	14455405	35,519
Infants and Toddlers	84.027	15451602	381,282
Infants and Toddlers	84.173	INFTOD4635	125,000
Subtotal Special Education-Grants for Infants and Families passed through Prince George's County DFS			<u>618,681</u>
Subtotal Special Education Cluster			<u>25,836,751</u>
IDEA Part D Personnel Development	84.323	14536301	65,056
Pass-through Prince George's County			
Department of Family Services:			
Infants and Toddlers	84.181	14455401	88,351
Infants and Toddlers	84.181	15451601	160,833
Infants and Toddlers	84.181	INFTOD4624	16,107
Infants and Toddlers	84.181	15451601	174,000
Subtotal Special Education-Grants for Infants and Families			<u>439,291</u>

PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015
(Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Title I, Part A			
Title I Part A - FY13	84.010	13440201	175,088
Title I Part A - FY14	84.010	14447501	3,169,906
Title I School Improvement (SIG) 1003(a) Focus Grant	84.010	14480401	232,711
Title I School Improvement 1003(a) Approaching Target Grant	84.010	14512701	400,559
Title I Part A School Improvement Section 1003(a) Approaching Target (Special)	84.010	15433501	279,740
Title I Part A - FY15	84.010	15436601	22,526,973
Title I School Improvement (SIG) 1003(a) Focus Grant	84.010	15492301	61,433
Title I School Improvement (SIG) 1003(a) Focus Grant	84.010	15499901	132,182
Title I Part A Grant	84.010	15513001	43,082
Title I School Improvement 1003(a) Approaching Target Grant	84.010	15516201	507,783
Subtotal Title I, Part A			<u>27,529,457</u>
School Improvement Grant Cluster-ARRA			
Title I 1003(g) School Improvement Grant II	84.377	12475301	382,021
Title I 1003(g) School Improvement Grant II Year 2	84.377	11575307	180,574
Title I 1003(g) School Improvement Grant II Year 3	84.377	14430401	644,160
Title I 1003(g) School Improvement Grant III Year 1	84.377	15469201	641,750
Title I 1003(g) School Improvement Grant SIG II Supplemental Grant	84.377	15556601	22,871
Subtotal School Improvement Grant Cluster-ARRA			<u>1,871,376</u>
ARRA Title I School Improvement Grant 1003(g) Grant-Year 2			
ARRA Title I School Improvement 1003(g) Year 3	84.388	12539001	957
ARRA Title I School Improvement 1003(g) Year 3	84.388	13480701	773,155
Total ARRA Title I School Improvement Grant			<u>774,112</u>
Career and Technical Education			
Carl Perkins- Title IC Program Improvement	84.048	14482601	78,157
Title IC Program Improvement-Homeland Security-CTE	84.048	14482701	20,398
Title IB Non-Traditional-CASE-CTE	84.048	14482702	11,621
Title IB Non-Traditional-Computer Science-CTE	84.048	14482703	1,296
Title IB Program Improvement-CTE	84.048	15513301	26,479
Title IC Program Improvement-CTE	84.048	15518401	22,340
Carl Perkins- Title IC Program Improvement	84.048	15518501	1,191,215
Subtotal Career and Technical Education			<u>1,351,506</u>
Education for Homeless Children and Youth Cluster			
FY 15 Educating Homeless Children & Youth Program	84.196	15537101	58,572
FY 14 Educating Homeless Children & Youth Program	84.196	14496901	364
Subtotal Education for Homeless Children and Youth Cluster			<u>58,936</u>
FY 13 Title III-English Language Acquisition			
FY 14 Title III-English Language Acquisition	84.365	13422101	33,633
FY 15 Title III-English Language Acquisition	84.365	14458901	682,957
FY 15 Title III-English Language Acquisition	84.365	15443601	2,206,665
FY 15 Title III-English Language Acquisition	84.365	15443602	379
Subtotal English Language Acquisition			<u>2,923,634</u>
FY 13 Improving Teacher Quality-Title II			
FY 14 Improving Teacher Quality-Title II	84.367	13459802	1,057,747
FY 15 Improving Teacher Quality-Title II	84.367	14477401	2,196,583
FY 15 Improving Teacher Quality-Title II	84.367	15494401	967,848
Subtotal Improving Teacher Quality			<u>4,222,178</u>

PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015
(Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
ARRA Race To The Top	84.395	11575301	2,625,577
ARRA Race To The Top	84.395	11575302	168,245
ARRA Race To The Top	84.395	11575303	5,454
ARRA Race To The Top	84.395	11575304	41,608
ARRA Race To The Top	84.395	11575305	12,420
ARRA Race To The Top	84.395	11575306	1,360
ARRA Race To The Top	84.395	11575307	3,572
ARRA Race To The Top	84.395	11575308	271,666
ARRA Race To The Top	84.395	11575309	18,663
ARRA Race To The Top	84.395	11575310	350,482
ARRA Race To The Top	84.395	11575311	13,940
ARRA Race To The Top	84.395	11575312	93,724
RTTT Physical Activity	84.395	13533801	5,834
RTTT Teacher and Principal Evaluation Implementation	84.395	14494801	10,311
RTTT Student Instructional Intervention System Project 21/42	84.395	14517401	18,858
Career and Technology Education-STEM Project Lead the Way	84.395	14521901	21,169
RTTT College & Career Readiness Conference/Teacher Induction Academy	84.395	14535801	114,994
RTTT College & Career Readiness Conference/Teacher Induction Academy	84.395	14535802	4,125
RTTT Supplemental Sub Grant	84.395	14544101	831,250
RTTT Virtual Academy Online Courses	84.395	15470201	6,500
RTTT Teacher Induction Academy	84.395	15490001	1,625
RTTT School Culture and Climate	84.395	15417601	45,687
RTTT Coordinated Student Services	84.395	15431401	24,877
RTTT World Language Academies	84.395	15448201	3,097
RTTT Promising Principals Technology	84.395	15460501	2,214
RTTT LEA Assessment System Project 17/32	84.395	15463301	895,117
RTTT Physical Activity	84.395	15474501	18,858
RTTT Teacher and Principal Evaluation Implementation	84.395	15505301	204,246
RTTT Supplemental Sub Grant	84.395	15507601	831,250
RTTT Supplemental Sub Grant	84.395	15507701	46,169
RTTT Education Information System Scanner	84.395	15539701	1,078
RTTT STEM Teacher Workshops	84.395	15553001	3,100
RTTT STEM Teacher Workshops	84.395	15553002	1,000
RTTT College & Career Readiness Conferences	84.395	15563601	18,035
RTTT Supplemental School Progress Plan	84.395	15566901	300,000
Subtotal Race to the Top-ARRA			<u>7,016,105</u>
Judy P. Hoyer Early Care and Education Enhancement Grant	84.412	14461801	101,265
Kindergarten Readiness Assessment Professional Development & Implementation	84.412	15432202	157,500
Judy P. Hoyer Early Care and Education Enhancement Grant	84.412	15507201	70,643
Judy P. Hoyer Early Care and Education Enhancement Grant	84.412	15507202	821
RTTT/Early Learning	84.412	15541301	13,723
Subtotal Race to the Top-Early Learning Challenge			<u>343,952</u>
Total U.S. Department of Education			<u>72,836,812</u>
U.S. Department of Agriculture			
Pass-through Programs From Maryland State			
Department of Education			
Child Nutrition Cluster:			
Food Commodities	10.555	N/A	3,510,889
School Breakfast Program	10.553	N/A	14,310,159
National School Lunch Program	10.555	N/A	34,073,468
Summer Food Service	10.559	N/A	602,102
Total Child Nutrition Cluster			<u>52,496,618</u>

PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015
(Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Healthy Hunger Free Kids Act Training & Marketing Plan	10.560	15452301	24,324
Healthy Hunger Free Kids Act Training & Marketing Plan	10.560	15452302	961
Total Healthy Hunger Free Kids Act Training & Marketing Plan			<u>25,285</u>
2013 Team Nutrition (Non-competitive)	10.574	14536801	7,099
2014 Equipment Assistance Grant for LEAs	10.579	15547401	5,341
Child & Adult Care Food Program	10.558	N/A	3,672,960
Fresh Fruits & Vegetables	10.582	N/A	807,391
Total U.S. Department of Agriculture			<u>57,014,694</u>
U.S. National Science Foundation			
Minority Student Pipeline Math Science Partnership	47.076	University System of MD	85,899
U.S. Department of Health and Human Services			
Direct Programs:			
Head Start	93.600	03CH345/01	6,308,405
Head Start	93.600	03CH2751/42	1,121
Head Start	93.600	03CH2751/44	685
Total Head Start			<u>6,310,211</u>
Public Health Services Act - Sexual Abuse	93.136	14539301	5,343
DHMH STI YC Grant	93.940	DHMH MOU	21,418
Total U.S. Department of Health and Human Services			<u>6,336,972</u>
U.S. Department of Labor			
Pass-through Programs From Maryland State Department of Education			
Youth Career Connect	17.274	YC-25418-14-60-A-24	<u>108,690</u>
National Aeronautics and Space Administration			
NASA ESPSI	43.008	NNX14AQ80G	<u>60,282</u>
U.S. Department of Defense			
Direct Programs:			
JROTC	12.900	N/A	1,904,142
2015 Star talk Chinese STEM and Culture Immersion Summer Academy	12.900	H98230-15-1-0147	5,113
			<u>1,909,255</u>
DODEA	12.556	HE -1254-10-0025	<u>63,722</u>
Total U.S. Department of Defense			<u>1,972,977</u>
Total Expenditures of Federal Awards			<u><u>\$ 138,416,326</u></u>

PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2015

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, 2015.

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, 2015. 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:

Federal Revenues per the Statements of Revenues, Expenditures and Changes in	
Net Position	
Federal - General Funds	\$ 87,583,478
Federal - Special Revenue	53,447,669
Federal - Donated	<u>3,950,490</u>
Total Per Financial Statements	<u>\$ 144,981,638</u>
Expenditures of Federal Awards	\$ 138,416,326
Federal revenues included in the basic financial statements that are not required to be included in the schedule:	
Medicaid funds	5,400,629
Adjustments to account for revenue	743,573
Increase in USDA Commodities on hand at 6/30/15	<u>421,110</u>
Total Per Financial Statements	<u>\$ 144,981,638</u>

**PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2015**

I. Summary of Independent Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	<u> X </u>	Yes	<u> </u>	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	84.377,84.388
Title II	84.367
Special Education Cluster	84.027,84.173
Race to the Top	84.395/84.412
JROTC	12.900

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

Auditee qualified as low-risk auditee?	<u> </u>	Yes	<u> X </u>	No
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PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2015

II. Financial Statement Findings

Finding Reference: 2015-001

Revenue Recognition-Capital Grants

Type of Finding: Material Weakness

Condition/Context

The School System currently tracks its capital projects within its general ledger by establishing a separate account number by funding source. During our review we noted that expenditures for a capital project were applied to the incorrect account code because that project was currently over budget and the contractor needed to be paid in a timely manner. By applying these expenditures to the incorrect account, the School System subsequently recognized revenues and receivables which were not allowable under that grant award as of June 30, 2015.

Criteria

Management is responsible for establishing and maintaining internal controls over financial reporting and for the fair presentation of the financial position, results of operations, cash flows, and disclosures in the financial statements, in conformity with U.S. generally accepted accounting principles (GAAP).

Cause

The School System's management recorded receivables at year based upon a discussion with personnel at Prince George's County without supporting documentation.

Effect

Material post-closing adjustments to receivables were made to the financial statements to be properly stated in in conformity with GAAP.

Recommendation

We recommend management obtain supporting documentation to record any receivables.

Views of Responsible Management Official and Corrective Action Plan

Concur. Management will continue tracking capital projects within the general ledger by establishing a separate account number for funding source as well as project type. This particular case was a one-time occurrence in which management had to readily identify an alternative funding source, as a temporary measure, in order to pay the contractor. Moving forward, we will work more collaboratively with the County to ensure the School Board communicates its fiscal needs in a timely manner and are granted authorization in the period funds are requested.

PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2015

Finding Reference: 2015-002

Leave liability Calculation

Type of Finding: Significant Deficiency in Internal Control

Condition/Context

During our review of the Annual Leave liability calculation at year end we noted several errors in the leave liability calculation which resulted in an accounting reserve being recorded for some individuals who were not entitled for leave amounts and no reserve being recorded for individuals who were entitled to leave amounts. These errors occurred as the computer program was not updated upon the execution of new union agreements, which allowed for a maximum leave accrual and minimum years of service provision.

Criteria

Management is responsible for establishing and maintaining internal controls over financial reporting and for the fair presentation of the financial position, results of operations, cash flows, and disclosures in the financial statements, in conformity with U.S. generally accepted accounting principles (GAAP).

Cause

These errors occurred as the computer program was not updated upon the execution of new union agreements, which allowed for a maximum leave accrual and minimum years of service provision.

Effect

The amount accrued at year end for annual leave may be misstated.

Recommendation

We recommend the School System go through the new executed agreements for the updated provisions and update the leave liability to ensure the amounts recorded at year end are accurate.

Views of Responsible Management Official and Corrective Action Plan

Concur. A computer program estimates the Board's long-term liability for paid time off (PTO). This is independent of the *Oracle* accounting system and has no impact on payments to staff retiring or leaving the School System. We do agree that code used to estimate PTO liability needs to be updated more frequently. The updates should reflect changes in union agreements. However, we believe that the program as it currently exists is a reasonable representation of the School System's PTO liability. A working group of representatives from Information Technology, Human Resources, Payroll Services, Business Operations and Internal Audit has been established to review the existing program output and design procedures for timely updating of coding as union agreements change and other events occur that affect the Board's long-term PTO liability.

PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2015

Finding Reference: 2015-003

SEFA preparation

Type of Finding: Significant Deficiency in Internal Control

Condition/Context

Our audit determined that PGPCS originally prepared the Schedule of Federal Awards with encumbrance activity, these amounts were subsequently corrected.

Criteria

OMB Circular A-133, Section .310(b) states the auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. In addition, Section .205 (a) states the determination of when an award is expended should be based on when the activity related to the award occurs. Generally, the activity pertains to events that require the non-Federal entity to comply with laws, regulations, and the provisions of contracts or grant agreements, such as: expenditure/expense transactions associated with grants, cost-reimbursement contracts, cooperative agreements, and direct appropriations; the disbursement of funds passed through to subrecipients; the use of loan proceeds under loan and loan guarantee programs; the receipt of property; the receipt of surplus property; the receipt or use of program income; the distribution or consumption of food commodities; the disbursement of amounts entitling the non-Federal entity to an interest subsidy; and, the period when insurance is in force.

Cause

The accounting system grant reporting module currently includes encumbrance activity that must be removed during year end preparation of the SEFA.

Effect

The SEFA could contain amounts that are not valid expenditures.

Recommendation

We recommend procedures be implemented at year-end, at a minimum, to review all federal and state grant balances and activity for appropriateness, and make the necessary adjustments to comply with GAAP.

Views of Responsible Management Official and Corrective Action Plan

Concur: When preparing the SEFA, PGPCS will now use a new grant expenditure report developed during FY 2015 that captures prior year encumbrance liquidations in the current year and adds to current year actual expenditures to arrive at total grant expenditures reflected on the SEFA Schedule. In addition, during our third-quarter review, only actual expenses and encumbrance liquidations will be included in revenue and expense journal balancing entries.

**PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2015**

III. Federal Award Findings and Questioned Costs

Finding Reference: 2015-004

Federal Agency: U.S. Department of the Navy/Army
CFDA-Federal Program: 12.900 National Junior Reserve Officers Training Corps
Compliance Requirement: Cash Management
Type of Finding: Significant Deficiency in Internal Control, Noncompliance

Condition/Context

During our testing of the cash management compliance requirement we noted that the School System was reimbursed for two individuals whose payroll costs were not expensed to the program. These two instructed were originally approved to be allowable per the Minimum Instructor Pay Authorization however, the employees were transitioned to another work assignment.

Criteria

When entities are funded on a reimbursement basis, program costs must be paid for by any entity funds before reimbursement is requested from the Federal Government.

Questioned Costs

Total questioned costs were \$18,783.

Cause

Each military branch electronically transmits equal monthly or quarterly electronic installment payments but the respective individuals were no longer being charged to the program.

Effect

The School System is not in compliance with cash management requirements which could result in the School System being denied reimbursement for future requests.

Recommendation

We recommend that the School System strengthen its controls over the monitoring of spending of grant funds to ensure that grant expenditures are incurred prior to reimbursement.

Views of Responsible Management Official and Corrective Action Plan

Concur. PGPCS will ensure grant expenditures are recorded to the program supporting initiatives and/or activities associated with JROTC awards by:

1. Continuing to monitor payroll costing transactions each time a Federal MIP reimbursement is received from the military service branch at each payment interval. This ensures that military personnel appearing on payment statements are cross-validated with the JROTC Program Staffing Rosters and PGPCS Standard Full-Time Payroll Download Reports.

PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2015

Finding Reference: 2015-004 (continued)

Federal Agency:	U.S. Department of the Navy/Army
CFDA-Federal Program:	12.900 National Junior Reserve Officers Training Corps
Compliance Requirement:	Cash Management
Type of Finding:	Significant Deficiency in Internal Control, Noncompliance

Views of Responsible Management Official and Corrective Action Plan (Continued)

2. Collaborating with JROTC Coordinators and Human Resources personnel to effect a smooth transition of instructors. This ensures that there is confirmation with service branches before removal of instructors from the monthly or quarterly MIP pay statements.
3. Requesting official copies of MIP Payment Reimbursement Statements from each service branch be sent to the Grants Financial Management Office (GFMO) in a timely manner.

The military service branch recovered the funds reimbursed in error in the subsequent academic year for the instructor that transitioned out of the JROTC Program and continued to appear on the MIP payment statements.

PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS
SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2015

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.

Current status: **Resolved**, no fixed asset acquisition adjustments were posted as a result of audit procedures performed.

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.

Current status: **Resolved**, no adjustments were posted as a result of audit procedures performed.

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

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

**PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS
SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2015**

Finding Reference: 2014-004

Federal Agency: U.S. Department of Agriculture, U.S Department of Education.
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).
Grant Year: 2014
Compliance Requirement: Verification of Vendor Federal Debarment or Suspension
Type of Finding: Significant Deficiency in Internal Control, Noncompliance

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: **Resolved**, the School System's compliance with the federal procurement requirements were tested for all major programs tested this fiscal year. The School System provided documentation to support compliance with federal suspension and debarment requirements.