



Howard County Public School System

**Annual Financial Report
(Single Audit)**

June 30, 2018

COHN  REZNICK
ACCOUNTING • TAX • ADVISORY

Howard County Public School System

Index

	<u>Page</u>
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	2
Schedule of Expenditures of Federal Awards	4
Notes to Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8
Summary Schedule of Prior Audit Findings	10

Independent Auditor's Report on Compliance for Each Major Federal Program and
on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Education
Howard County, Maryland

Report on Compliance for Each Major Federal Program

We have audited the Howard County Public School System's ("HCPSS") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the HCPSS's major federal programs for the year ended June 30, 2018. The HCPSS'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the HCPSS'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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the HCPSS'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 HCPSS's compliance.

Opinion on Each Major Federal Program

In our opinion, the HCPSS 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, 2018.

Report on Internal Control over Compliance

Management of the HCPSS 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 HCPSS'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 the Uniform Guidance, 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 HCPSS'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 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, material weaknesses may exist that have not been identified.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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 HCPSS, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the HCPSS's basic financial statements. We issued our report thereon dated September 28, 2018, 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 the Uniform Guidance 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.



Baltimore, Maryland
December 27, 2018

Howard County Public School System

Schedule of Expenditures of Federal Awards Year Ended June 30, 2018

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Pass-through agency grant number	Passed through to subrecipients	Expenditures
<u>U.S. Department of Agriculture</u>				
Child Nutrition Cluster				
<i>Passed Through Maryland State Department of Education</i>				
School Breakfast Program	10.553	None provided	N/A	\$ 1,664,159
National School Lunch Program	10.555	None provided	N/A	5,774,825
National School Lunch Program - Non-Cash Commodities	10.555	None provided	N/A	989,449
Summer Food Service Program for Children	10.559	None provided	N/A	167,165
Total Child Nutrition Cluster				8,595,598
Child and Adult Care Food Program	10.558	None provided	N/A	194,896
Total U.S. Department of Agriculture				8,790,494
<u>U.S. Department of Defense</u>				
National Security Agency Direct Award				
Mathematical Sciences Grants				
FY17 NSA StarTalk	12.901	07130030	N/A	32,779
FY18 NSA GenCyber - JHES	12.901	08130029	N/A	3,571
Total Mathematical Sciences Grants				36,350
Total U.S. Department of Defense				36,350
<u>U.S. Department of Education</u>				
Title 1 Grants to Local Educational Agencies				
<i>Passed Through Maryland State Department of Education</i>				
FY16 TITLE I	84.010	16510101	N/A	252,297
FY17 Title I	84.010	17092301	N/A	672,775
FY17 Title I Focus	84.010	17130201	N/A	300,277
FY18 Title I	84.010	18065601	N/A	2,454,022
FY18 Title I Focus	84.010	18130401	N/A	824,533
Total Title 1 Grants to Local Educational Agencies				4,503,904
Special Education Cluster (IDEA)				
Special Education Grants to States				
<i>Passed Through Maryland State Department of Education</i>				
FY16 Passthrough	84.027	16455901	N/A	168,760
FY16 PPPS Passthrough	84.027	16455902	N/A	3,014
FY16 Local Priority	84.027	16455904	N/A	(1,746)
FY16 I&T Part B	84.027	16460301	N/A	6,192
FY17 Passthrough	84.027	17011601	N/A	63,765
FY17 PPPS Passthrough	84.027	17011602	N/A	6,111
FY17 SECAC	84.027	17011603	N/A	2,000
FY17 Part B	84.027	17023401	N/A	38,812
FY18 I&T Part B 611	84.027	18021101	N/A	126,999
FY18 Passthrough	84.027	18043301	N/A	8,854,852
FY18 PPPS Passthrough	84.027	18043302	N/A	27,539
FY18 SECAC	84.027	18043303	N/A	700
FY18 Local Priority Flexibility	84.027	18043304	N/A	45,065
FY18 Family Partnerships	84.027	18043306	N/A	18,000
FY18 Secondary Transition	84.027	18043307	N/A	30,620
FY18 CR Passthrough	84.027	18092901	N/A	6,199
Special Education Preschool Grants				
<i>Passed Through Maryland State Department of Education</i>				
FY16 Preschool Passthrough	84.173	16456101	N/A	5,952
FY17 Part B 619 Discretionary	84.173	17021801	N/A	4,930
FY17 Part B 619 Extended	84.173	17021802	N/A	1,084
FY17 Preschool Passthrough	84.173	17026201	N/A	73,507
FY17 PPPS - Preschool	84.173	17026202	N/A	460
FY18 I&T Part B 619 Discretionary	84.173	18017301	N/A	3,649
FY18 I&T Part B 619 Extended	84.173	18017302	N/A	11,694
FY18 Preschool Passthrough	84.173	18043501	N/A	158,750
FY18 PPPS - Preschool	84.173	18043502	N/A	581
Total Special Education Cluster (IDEA)				9,657,489

Howard County Public School System

Schedule of Expenditures of Federal Awards Year Ended June 30, 2018

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Pass-through agency grant number	Passed through to subrecipients	Expenditures
Career and Technical Education - Basic Grants to States				
<i>Passed Through Maryland State Department of Education</i>				
FY16 Perkins	84.048	16505401	N/A	(316)
FY17 Perkins	84.048	17052901	N/A	6,158
FY18 Perkins	84.048	18062501	N/A	294,589
FY18 Perkins Reserve	84.048	18087301	N/A	41,959
Total Career and Technical Education - Basic Grants to States				<u>342,390</u>
Special Education - Grants for Infants and Families				
<i>Passed Through Maryland State Department of Education</i>				
FY16 I&T Part C	84.181	16460201	N/A	13,381
FY17 I&T Part C	84.181	17024702	N/A	51,543
FY18 I&T Part C	84.181	18034901	N/A	199,076
FY18 I&T Part C Discretionary	84.181	18034902	N/A	19,182
Total Special Education - Grants for Infants and Families				<u>283,182</u>
Education for Homeless Children and Youth				
<i>Passed Through Maryland State Department of Education</i>				
FY17 Educating Homeless	84.196	17106801	N/A	50,883
FY18 Homeless Education Assistance Program	84.196	18134801	N/A	29,081
Total Education for Homeless Children and Youth				<u>79,964</u>
Twenty-First Century Community Learning Centers				
<i>Passed Through Maryland State Department of Education</i>				
FY17 Bridges OEHC	84.287	17090801	N/A	(91)
FY17 Columbia Bridges	84.287	17090901	N/A	(793)
FY17 Bridges over Wilde Lake	84.287	17091002	N/A	(86)
FY17 Bridges over Cradlerock	84.287	17106701	N/A	3,421
FY18 Bridges over Cradlerock	84.287	18107201	N/A	165,537
FY18 Bridges over Wilde Lake	84.287	18110002	N/A	354,298
FY18 Columbia Bridges	84.287	18111301	N/A	169,273
Total Twenty-First Century Community Learning Centers				<u>691,559</u>
English Language Acquisition State Grants				
<i>Passed Through Maryland State Department of Education</i>				
FY16 ELA	84.365	16430201	N/A	69,701
FY16 ELA - Immigrant	84.365	16430202	N/A	1,881
FY17 ELA	84.365	17066601	N/A	232,628
FY17 ELA Immigrant	84.365	17066602	N/A	3,975
Total English Language Acquisition State Grants				<u>308,185</u>
Supporting Effective Instruction State Grants				
<i>Passed Through Maryland State Department of Education</i>				
FY16 Title II	84.367	16527701	N/A	309,755
FY17 Title II A	84.367	17097801	N/A	330,989
FY17 Title IIA PreK-2 Symposium	84.367	17154501	N/A	3,362
FY18 Title II-A	84.367	18125301	N/A	139,978
Total Supporting Effective Instruction State Grants				<u>784,084</u>
Competitive Grants for State Assessments				
<i>Passed Through Maryland State Department of Education</i>				
FY18 R4K Supplemental	84.368	18162201	N/A	26,300
Total Competitive Grants for State Assessments				<u>26,300</u>
Statewide Longitudinal Data Systems				
<i>Passed Through Maryland State Department of Education</i>				
FY18 SLDS Peer Collaborative Training	84.372	18086501	N/A	2,298
FY18 Open Educational Resource	84.372	18148401	N/A	9,483
Total Statewide Longitudinal Data Systems				<u>11,781</u>
Preschool Development Grants				
<i>Passed Through Maryland State Department of Education</i>				
FY16 PreK Expansion	84.419	16480401	N/A	(14,305)
FY17 PreK Expansion	84.419	17061301	N/A	19,486
FY18 Federal PreK Expansion	84.419	18070701	N/A	187,896
Total Preschool Development Grants				<u>193,077</u>

Howard County Public School System

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018**

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Pass-through agency grant number	Passed through to subrecipients	Expenditures
Student Support and Academic Enrichment Program <i>Passed Through Maryland State Department of Education</i>				
FY18 Title IV, Part A	84.424	18112201	N/A	<u>8,582</u>
Total Student Support and Academic Enrichment Program				<u>8,582</u>
Impact Aid				
Direct Award	84.041	N/A	N/A	<u>124,008</u>
Total U.S. Department of Education				<u>17,014,505</u>
Total Expenditures of Federal Awards				<u>\$ 25,841,349</u>

See Notes to Schedule of Expenditures of Federal Awards.

Howard County Public School System

**Notes to Schedule of Expenditures of Federal Awards
June 30, 2018**

Note 1 - Reporting entity

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Howard County Public School System ("HCPSS"), a component unit of Howard County, Maryland, under programs of the federal government for the year ended June 30, 2018.

Note 2 - Summary of significant accounting policies

The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). The Schedule has been prepared using the modified accrual basis of accounting. This basis of accounting is fully described in the Summary of Significant Accounting Policies to HCPSS's financial statements. Because the Schedule presents only a selected portion of the operations of the HCPSS, it is not intended to and does not present the financial position, changes in net position, or cash flows of the HCPSS.

The value of food commodities donated by the United States Department of Agriculture (the "Department") is determined by the Department and is included in revenues and expenditures in the year received.

Note 3 - Relation to the financial statements and federal financial reports

Amounts reported in the Schedule agree with amounts reported in HCPSS's basic financial statements and the related federal financial reports submitted by HCPSS, except as indicated below.

Federal revenues per the financial statements are reconciled to the Schedule as follows:

Total federal revenues per financial statements	\$ 29,142,811
Federal revenues not included in the Schedule	
Medical assistance revenue	(3,052,805)
U.S. ROTC revenue	<u>(248,657)</u>
Total federal revenues per Schedule of Expenditures of Federal Awards	<u><u>\$ 25,841,349</u></u>

Note 4 - Indirect cost rate

HCPSS has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Howard County Public School System
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on the financial statements: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? X Yes None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of major programs:

Name of federal program or cluster	CFDA number(s)	Expenditures
Child Nutrition Cluster	10.553, 10.555, 10.559	\$ 8,595,598
Special Education Cluster (IDEA)	84.027, 84.173	9,657,489
Supporting Effective Instruction State Grants	84.367	784,084
		<u>\$ 19,037,171</u>

Dollar threshold used to distinguish between Type A and Type B programs: \$775,240

Auditee qualified as low-risk auditee: Yes X No

Howard County Public School System
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

B. Findings - Financial Statements Findings

Finding 2018-001

Significant Deficiency in Internal Control over Financial Reporting

Condition/Context

The accounting department does not prepare periodic aging analyses of accounts receivable balances in the Restricted Programs Fund, nor is a review of such balances performed by a member of management. Therefore, such balances are not identified in a timely manner.

Criteria

COSO/Internal Control Framework defines control activities as "policies and procedures that help to ensure management's directives are carried out." Management review controls are defined as "the activities of a person, different than the preparer, through analyzing and performing oversight activities performed, and is an integral part of any internal control structure." COSO/Internal Control Framework state that control activities must be in place for there to be adequate internal control procedures over financial reporting.

Cause

This was the result of information not being provided by grant program managers to accounting department personnel in a timely manner.

Effect

As of June 30, 2018, the Restricted Programs Fund had a number of large and overdue accounts receivable balances due from the Maryland State Department of Education and Maryland Department of Health. Expenditures have been made by the HCPSS for which cash reimbursement has not been received.

Recommendations

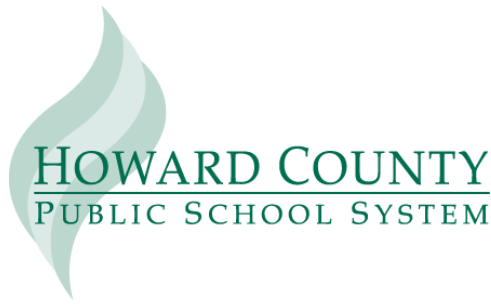
- (1) Management should reconcile receivables, at least quarterly, to outstanding funding requests, where applicable.
- (2) Management should prepare aging analysis of funding requests which have not been received.
- (3) Management should communicate with the agencies from which funds are due to ensure collectability in a timely manner.

Views of Responsible Official and Planned Corrective Actions

Management agrees with the finding and plans to enhance procedures related to grant program outstanding receivables to ensure timely collection.

C. Findings and Questioned Costs for Federal Awards

No matters were reported.



Howard County Public School System respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2018.

Audit period: 07/01/17 – 06/30/18

The findings from the prior audit’s schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS—FINANCIAL STATEMENT AUDIT

There were no financial statement findings in the prior year.

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

2017 – 001

Condition: The schedule of expenditures of federal awards initially prepared by management did not include federal expenditures for the Child Nutrition Cluster (CFDA #10.553 and #10.555), Child and Adult Care Food Program (CFDA #10.558), and Impact Aid (CFDA #84.041).

Status: The Howard County Public School System’s Department of Accounting has reviewed and modified their policies and procedures for the review process for the schedule of federal awards. The schedule of federal awards now goes through a series of management reviews, as well as a final preliminary review conducted by MSDE, to ensure completeness and accuracy before finalizing.

2017 – 002

Condition: There was a lack of review of the annual financial reports prior to submission to the MSDE.

Status: The Howard County Public School System’s Department of Accounting has reviewed and modified their policies and procedures to ensure that annual and final financial reports are provided to management for a documented review prior to submission to Maryland State Department of Education (MSDE). General Ledger summaries will now be submitted to management for review prior to inputting this information into MSDE’s AFR reporting system.

2017 – 003

Condition: HCPSS overspent three grants as of June 30, 2017.

Status: The Howard County Public School System’s Department of Accounting has reviewed and modified their policies and procedures to ensure that monthly and annual reports submitted to MSDE are first reviewed and reconciled with internal accounting records. The Data Audit – Awards report serves a cross-reference while annual and final reporting is being completed to ensure that expenditures do not exceed grant awards.

2017 – 004

Condition: We noted that the incorrect number of low-income private school children residing in the HCPSS attendance area was incorrectly reported to the MSDE.

Status: The Howard County Public School System’s Department of Curricular Programs, Title I Office has reviewed their policies and procedures for reporting the total number of low-income private school children residing in HCPSS’s attendance area to ensure accurate reporting. Financial tables are now completed by the Title I Technical Assistant and reviewed by Title I Support Teachers and the Title I Coordinator. A final review is completed by the Grants Accountant prior to submission to MSDE.

2017 – 005

Condition: HCPSS charged expenditures to the grant outside of the period of performance.

Status: The Howard County Public School System’s Department of Accounting has reviewed and modified their policies and procedures to ensure that grants are made inactive in the accounting system immediately at their end dates. This has prevented any unjustified charges from hitting closed grants and ensured that expenditures fall within each grant’s period of performance.

2017 – 006

Condition: HCPSS incorrectly charged unallowable expenditures to the grant.

Status: The Howard County Public School System’s Department of Accounting has reviewed their policies and procedures to ensure that biweekly payroll expenses now go through a series of reviews to ensure accurate reporting. In addition, periodic reconciliations of federal grants are completed with the grant managers to ensure that any erroneous payroll expenses are identified and corrected. A new system report has also been created that lists all payroll charges within a biweekly period by employee, and by wage type. This system report is disseminated to each grant manager to verify payroll charges each biweekly period.

2017 – 007

Condition: Indirect costs charged to some grants exceeded the negotiated indirect cost rate provided by the Maryland State Department of Education

Status: The Howard County Public School System’s Department of Accounting has reviewed and modified their policies and procedures related to the rate used to charge indirect costs to grants. HCPSS now charges indirect costs at a lower than average rate throughout the fiscal year, with a final true-up done at the end of the year only to ensure that these costs did not exceed the approved indirect cost rate during the year.

2017 – 008

Condition: Time and effort certifications were not provided for several employees and performed untimely for other employees.

Status: The Howard County Public School System’s Department of Curricular Programs, Title I and Department of Accounting have reviewed their policies and procedures for time and effort certifications. Time and Effort certifications are distributed on at least a quarterly basis to all employees charged to a grant. Grant managers are now required to electronically approve Time and Effort Certifications after each employee has certified his or her earnings. The Title I Technical Assistant works with the Title I Coordinator to make sure the Time and Effort certifications for all Title I staff are completed in a timely manner.

2017 – 009

Condition: Costs incurred related to a salary voucher were charged to an incorrect grant.

Status: The Howard County Public School System’s Department of Accounting has reviewed their policies and procedures to ensure that biweekly payroll expenses now go through a series of reviews to ensure accurate reporting. In addition, periodic reconciliations of federal grants are completed with the grant managers to ensure that any erroneous payroll expenses are identified and corrected. A new system report has also been created that lists all payroll charges within a biweekly period by employee, and by wage type. This system report is disseminated to each grant manager to verify payroll charges each biweekly period.

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