

Independent Auditor's 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*

To the Board of Education
Howard County, Maryland

We have audited, in accordance with 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 Howard County Public School System ("HCPSS") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise HCPSS's basic financial statements, and have issued our report thereon dated September 30, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered HCPSS's internal control over financial reporting ("internal control") as a basis for designing 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 HCPSS's internal control. Accordingly, we do not express an opinion on the effectiveness of HCPSS'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. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether HCPSS's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

Howard County Public School System's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on HCPSS's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. HCPSS's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Baltimore, Maryland
September 30, 2022

Howard County Public School System

Schedule of Findings and Responses June 30, 2022

2022-001 - Revenue Recognition

Statement of Condition: During the year end closing process, HCPSS recorded inaccurate adjustments to revenue in the Restricted Programs Fund.

Criteria: Internal controls over financial reporting should exist to ensure that material misstatements are prevented or detected and corrected by management in a timely manner.

Cause: Management did not have a sufficient review process in place over the adjustments related to revenue in the Restricted Programs Fund.

Effect: Management may produce interim or annual financial statements that are materially misstated.

Recommendation: We have the following recommendation related to the internal control processes that impact revenue recognition in the Restricted Programs Fund:

- We recommend that HCPSS provide proper oversight and review of the recording and approval processes related to revenue recognition. HCPSS needs to ensure that they have multiple levels of resources that have a sufficient understanding of the laws, agreements, and accounting principles pertinent to the grants and similar programs associated with the fund.

View of Responsible Officials Pertaining to 2022-001

- HCPSS is in the process of reengineering its internal processes for the accounting of its Restricted Programs Fund. This includes two additional hires – a grant budget analyst and grant accountant – who will support the Restricted Programs Fund in providing enhanced oversight and compliance with generally accepted accounting principles throughout the year.