

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM
Ellicott City, Maryland**

**REPORT ON SINGLE AUDIT
June 30, 2014**

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CliftonLarsonAllen

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 Howard County
Ellicott City, 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 the Howard County Public School System (HCPSS), a component unit of Howard County, Maryland as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise HCPSS's basic financial statements, and have issued our report thereon dated September 29, 2014.

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) 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 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. 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.

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 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*.

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 HCPSS's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HCPSS's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.**CliftonLarsonAllen LLP**

Baltimore, Maryland
September 29, 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 Howard County
Ellicott City, 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 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. HCPSS'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 HCPSS' 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 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 HCPSS' compliance.

Opinion on Each Major Federal Program

In our opinion, 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, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-001. Our opinion on each major federal program is not modified with respect to this matter.

HCPSS's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. HCPSS' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of 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 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 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 HCPSS' 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 2014-001 that we consider to be a significant deficiency.

HCPSS' response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. HCPSS' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 HCPSS as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise HCPSS's basic financial statements. We issued our report thereon dated September 29, 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

CliftonLarsonAllen LLP

Baltimore, Maryland
December 18, 2014, except for the Schedule
of Expenditures of Federal Awards which
is dated September 29, 2014

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

<u>Federal Program Title</u>	<u>Federal CFDA Number</u>	<u>Passthrough Agency Grant Number</u>	<u>Program/ Award Amount</u>	<u>Expenditures</u>
United States Department of Agriculture				
Passed Through Maryland State Department of Education				
Child Nutrition Cluster:				
School Breakfast Program	10.553	N/A	N/A	\$ 912,225
School Lunch Program	10.555	N/A	N/A	5,006,509
Summer Food	10.559	N/A	N/A	3,219
Total Child Nutrition Cluster				<u>5,921,954</u>
At-Risk Meals & Suppers	10.558	N/A	N/A	54,951
				<u>5,976,905</u>
United States Department of Education				
Passed Through Maryland State Department of Education				
FY13 Title I	84.010	13439901	\$ 3,653,615	1,157,597
FY13 Title I - Focus	84.010	13504302	282,700	246,806
FY13 Title I-Target	84.010	13506502	37,640	(54)
FY 13 Title I, Sup 3	84.010	13516802	214,122	214,122
FY13 Title I - Target	84.010	13527401	248,691	248,691
FY14 Title I	84.010	14447801	3,610,044	2,521,442
FY14 Title I Focus Grant	84.010	14484301	279,650	22,019
FY14 Title I, Target Assistance	84.010	14515401	76,000	21,831
				<u>4,432,454</u>
<i>Special Education Cluster</i>				
FY13 Passthrough	84.027	13427001	8,527,009	60,306
FY13 Parent-Place Pass	84.027	13427002	53,676	12,978
FY13 Partners	84.027	13427005	15,000	9,246
FY13 SECAC	84.027	13427006	2,483	172
FY12 College Career	84.027	13427007	10,000	8,970
FY13 Local Priority Flec	84.027	13427008	159,744	79,820
FY13 Infnts/Toddlers Pt B	84.027	13436702	44,951	473
FY13 Infnt/Toddler IFSP	84.027	13436705	94,648	224
FY13 Expanding Bridges	84.027	13487901	637,331	215,455
FY14 Passthrough	84.027	14419301	8,004,152	7,837,228
FY14 PPPS-Passthrough	84.027	14419302	49,159	9,339
FY14 SECAC	84.027	14419305	2,500	2,131
FY14 Local Priority	84.027	14419306	185,513	118,948
FY14 B611 Discretionary	84.027	14419401	317,502	246,495
FY14 I/T Part B	84.027	14422602	45,510	26,400
FY14 I/T Ext IFSP	84.027	14422605	80,815	80,815
FY14 IDEA Pt B611 Discretionar	84.027	14528201	51,174	2,188
FY14 MOE Part A	84.027	14514101	2,434	2,434
FY14 MOE Part B	84.027	14514102	15	15
FY13 Pre-School Pass	84.173	13427003	258,912	35,813
FY13 PP-Preschool	84.173	13427004	3,051	5
FY13 Infnts/Toddler B619	84.173	13436703	8,936	1,955
FY13 MMRS-Federal	84.173	13452804	10,294	5,240
FY14 Preschool Passthru	84.173	14419303	256,834	242,571
FY14 PPPS-Preschool	84.173	14419304	1,478	1,475
FY14 B619 Discretionary	84.173	14419402	3,680	3,680
FY14 I/T Prt B-619	84.173	14422603	9,000	8,984
FY14 MMSR-Federal	84.173	14455902	8,575	3,206
				<u>9,016,566</u>

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014
(Continued)

<u>Federal Program Title</u>	<u>Federal CFDA Number</u>	<u>Passthrough Agency Grant Number</u>	<u>Program/ Award Amount</u>	<u>Expenditures</u>
United States Department of Education				
Passed Through Maryland State Department of Education (continued)				
FY13 Perkins Grant	84.048	13477301	\$ 290,666	\$ (374)
FY13 Perkins-CTE Res	84.048	13495001	25,382	75
FY14 Perkins	84.048	14467701	325,549	325,320
FY14 Perkins CTE	84.048	14467801	39,882	39,802
				<u>364,823</u>
<i>Infants and Toddlers Cluster</i>				
FY13 Infnt/Toddlers Pt C	84.181	13436701	260,915	122,165
FY14 I/T Part C	84.181	14422601	264,160	225,262
				<u>347,427</u>
FY13 Homeless Grant	84.196	13473201	82,890	23,973
FY14 Educating Homeless Childr	84.196	14484701	78,850	55,718
				<u>79,691</u>
FY13 Bridge EHC	84.287	13471201	349,890	24,294
FY13 Brdg Over WL	84.287	13473501	343,874	29,634
FY13 Columbia Bridges	84.287	13484001	325,723	10,539
FY13 Brd over Cradlerock	84.287	13484101	218,871	14,625
FY14 Bridges OEHC	84.287	14461301	297,500	259,927
FY14 Bridges over Wilde Lake	84.287	14461601	344,000	321,247
FY14 Columbia Bridges	84.287	14463902	329,733	266,443
FY14 Bridges over Cradlerock	84.287	14470202	329,733	251,853
				<u>1,178,562</u>
FY12 ENGLISH LANG ACQ GRANT	84.365	12429301	394,947	(31,134)
FY13 ELA	85.365	13421801	405,149	289,559
FY13 ELA-Immigrant Act	86.365	13421802	9,837	350
FY14 ELA	84.365	14458701	338,978	64,690
FY14 ELA-Immigrant	84.365	14458702	6,239	434
				<u>323,899</u>
FY13 MSP-HS Environ. Lit.	84.366	13512101	145,007	132,832
FY14 Title II Pt B Math/Sci	84.366	14525401	335,473	5,546
				<u>138,378</u>
FY12 TITLE II GRANT	84.367	12421101	954,907	121,921
FY13 Title II Supplmnt	84.367	13459501	8,030	8,030
FY13 Title II	84.367	13459502	965,327	396,053
FY14 Title IIA	84.367	14477101	925,663	247,286
				<u>773,290</u>

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014
(CONTINUED)

<u>Federal Program Title</u>	<u>Federal CFDA Number</u>	<u>Passthrough Agency Grant Number</u>	<u>Program/ Award Amount</u>	<u>Expenditures</u>
United States Department of Education				
Passed Through Maryland State Department of Education (continued)				
ARRA Race to the Top Cluster				
FY12 RTTT- STEM ELM Eng	84.395	11575101	\$ 229,614	\$ 72,161
FY12 RTTT- Project 2	84.395	11575102	63,747	48,700
FY12 RTTT Project 4	84.395	11575104	74,161	65,962
FY12 RTTT Project 5	84.395	11575105	87,846	40,775
FY12 RTTT Project 6	84.395	11575106	9,846	3,712
FY12 RTTT Project 7	84.395	11575107	39,782	9,837
FY12 RTTT Project 8	84.395	11575108	178,462	14,652
FY13 RTTT Project 9	84.395	11575111	120,399	52,946
FY13 RTTT Project 10	84.395	11575112	19,400	5,200
FY13 RTTT-ESOL	84.395	13484801	37,500	1
FY13 RTTT- Ed. Effect	84.395	13531001	193,086	192,966
FY13 RTTT- Teacher Induction	84.395	13531002	1,875	1,875
FY14 RTTT-ESOL #1	84.395	14446501	72,500	29,996
FY14 RTTT Spanish After School	84.395	14482201	6,249	2,788
FY14 RTTT K-5 Mandarin	84.395	14482301	7,440	6,363
FY14 RTTT-Tchr/Prcpl Eval	84.395	14494601	46,457	46,457
FY14 RTTT Project 42	84.395	14516601	29,962	29,962
				<u>624,353</u>
FY14 RTTT Early Learning	84.412	14511801	43,626	4,471
FY14 MMSR-Getting Ready	93.575	14455903	66,040	66,024
<i>Total Passed Through Maryland State Department of Education</i>				<u>\$ 23,326,843</u>
<i>United States Department of Education - Direct Awards</i>				
Impact Aid	84.041	30-MD-0501	-	\$ 127,950
FY11 Teaching American History	84.215	01130014	999,445	223,183
<i>Total United States Department of Education - Direct Awards</i>				<u>\$ 351,133</u>
<i>National Institute of Standards and Technology - Direct Award</i>				
FY14 NIST Grant	11.609	04130001	4,000	\$ 4,000
<i>Total National Institute of Standards and Technology</i>				<u>\$ 4,000</u>
<i>United States Department of the Army - Direct Award</i>				
FY13 US Army - HHS	12.431	03130005	22,500	\$ 10,786
<i>Total United States Department of the Army</i>				<u>\$ 10,786</u>
<i>National Security Agency - Direct Award</i>				
FY13 NSA Startalk	12.901	03130015	46,210	\$ 15,063
FY14 NSA-Robotics-AHS	12.901	04130006	10,000	10,000
FY14 NSA StarTalk	12.901	04130017	84,935	21,345
FY14 NSA-ARML	12.901	04130007	3,190	3,189
<i>Total National Security Agency</i>				<u>\$ 49,597</u>

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014
(Continued)

<u>Federal Program Title</u>	<u>CFDA Number</u>	<u>Agency Grant Number</u>	<u>Award Amount</u>	<u>Expenditures</u>
<i>National Aeronautics and Space Administration</i>				
<i>Passed Through the National Council on Teaching America's Future</i>				
FY14 NCTAF	80.0128	04130004	161,329	\$ 135,919
<i>Total Passed Through the National Council on Teaching America's Future</i>				<u>\$ 135,919</u>
<i>United States Department Of Homeland Security</i>				
<i>Passed Through Homeland Security</i>				
FY12 UASI Grant 11	97.258	02130021	32,574	\$ (725)
<i>Total Passed Through Homeland Security</i>				<u>\$ (725)</u>
Total Federal Programs				<u><u>\$ 23,877,553</u></u>

The accompanying notes are an integral part of this schedule.

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2014

NOTE 1 – REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Howard County Public School System (HCPSS) for the year ended June 30, 2014.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards 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.

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 FINANCIAL STATEMENTS AND FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards 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 of Expenditures of Federal Awards as follows:

**Revenues per Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds**

Federal Revenue	\$	23,981,657
Add: Miscellaneous Adjustment		138,630
Less: Federal revenue not reported in the Schedule of Expenditures of Federal Awards:		
Revenue from U.S. ROTC		(242,734)
Expenditures per Schedule of Expenditures of Federal Awards	\$	23,877,553

This information is an integral part of the accompanying schedule.

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014**

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none

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 that are not considered to be material weaknesses? X yes _____ no

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 Section 510(a) of OMB Circular A-133? X yes _____ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, 10.559	Child Nutrition Cluster
84.367	Title II
84.395	ARRA - Race to the Top
84.287	21 st Century

Dollar threshold used to distinguish between type A and type B programs: \$716,327

Auditee qualified as low-risk auditee? X yes _____ no

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014**

Section II—Financial Statement Findings

A. Significant Deficiencies in Internal Control

None.

B. Compliance Findings

None.

Section III—Federal Award Findings and Questioned Costs

Finding Reference: 2014-001

Federal Agency: U.S. Department of Agriculture

CFDA-Federal Program: 10.553, 10.555, 10.559 – Child Nutrition Cluster

Compliance Requirement: Suspension and Debarment

Type of Finding: Significant Deficiency in Internal Control, Noncompliance

Year: 2014

Condition/Context

For three of three vendor contracts selected for testing, HCPSS did not properly verify that the vendor was not suspended or debarred from receiving federal funds.

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

There are no questioned costs related to this finding as the vendors were not federally suspended or debarred.

Cause

HCPSS did not perform a verification of suspension and debarment of the potential award vendors as part of their procurement process.

Effect

HCPSS is not in compliance with federal suspension and debarment requirements for procurement contracts of goods and services.

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014**

Recommendation

We recommend that HCPSS enhance its policies and procedures to ensure that the required suspension and debarment verifications are performed for vendors with contracts that are expected to equal or exceed the \$25,000 threshold.

Views of Responsible Officials and Corrective Action Plan

Management concurs with this recommendation. The Procurement Office has already taken the suggested steps noted above to ensure compliance. Anticipated completion date of the corrective action plan is FY2015.

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2014**

Finding Reference: 2013-01

Federal Agency: U.S. Department of Education
CFDA-Federal Program: 84.395 - Race to the Top Incentive Grants-ARRA,
84.367 - Title II
Compliance Requirement: Suspension and Debarment
Type of Finding: Significant Deficiency in Internal Control, Noncompliance

Condition/Context

For one of two vendor contracts selected for testing for 84.395-Race to the Top and two of two vendor contracts selected for testing for 84.367-Title II, HCPSS did not properly verify that the vendor was not suspended or debarred from receiving federal funds.

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 Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Current Status

Resolved, For the current year, both programs were selected as major programs and were tested for compliance with the suspension and debarment requirement. No exceptions were noted.