

**BOARD OF EDUCATION OF HARFORD COUNTY**  
**INFORMATIONAL REPORT**  
**PRESENTATION OF**  
**Comprehensive Annual Financial Report for the Year Ending June 30, 2014**

November 17, 2014

**Background Information**

The School system is required to have an annual audit by an independent certified public accounting firm as defined in The Education Article Sec5-109. The independent public accounting firm of SB & Company, LLC has issued the auditor's report for the fiscal year just ended.

**Discussion**

The Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014 contains audited financial statements, schedules, exhibits, and footnotes, as well as opinions of the Independent Public Accountants of SB & Company, LLC. The CAFR is prepared in accordance with national governmental accounting standards. This report is required to be filed with the Maryland State Department of Education by September 30. Auditing standards require that the independent auditors make certain representations to the governing body of public entities concerning the audit report they issue. The CAFR was issued with a clean opinion. We have complied with that requirement. Copies of the CAFR have been submitted to the Board and are available to the community on-line at: <http://www.hcps.org/departments/docs/businessServices/FY14CAFR.pdf>

SB & Company, LLC also performed a separate Single Audit on the Federal Financial Assistance grants and issued an additional year-end report, the Single Audit Annual Financial Report. There was a finding in the Single Audit Report related to a contract that exceeded \$25,000 that was not processed through the Purchasing Office with the proper federal language requirements. The Single Audit Report is attached to this Information Report. This is the first Single Audit Report that contained findings.

**Superintendent's Recommendation**

No action is required.

**HARFORD COUNTY PUBLIC SCHOOLS**

**Single Audit Together with  
Reports of Independent Public Accountants**

**For the Year Ended June 30, 2014**



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**JUNE 30, 2014**

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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

Members of The Board of  
Education of Harford County  
Bel Air, Maryland

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harford County Public Schools (HCPS), a component unit of Harford County, Maryland as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise HCPS' basic financial statements.

### ***Management's Responsibility for the Financial Statements***

HCPS' management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Harford County Public Schools, as of June 30, 2014, and the respective changes in financial position, where applicable, cash flows thereof, and statement of revenues, expenditures and changes in fund balances – budget (non-GAAP basis) and actual – general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise HCPS' basic financial statements. The food service fund schedule of revenues, expenditures and changes in fund balance compared to budget, school construction fund schedule of expenditures by project, school funds (agency funds) combining statement of increases, decreases, and fund balances, combining statement of fiduciary net position – agency funds and combining statement of changes in assets and liabilities – agency funds and the schedule of expenditures of Federal awards, as required by the Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non Profit Organizations (collectively, the Supplemental Information) are presented for purposes of additional analysis and are not a required part of the basic financial statements.



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The accompanying Supplemental 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. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2014, on our consideration of HCPS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HCPS' internal control over financial reporting and compliance.

Hunt Valley, Maryland  
September 10, 2014



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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS 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 Harford County  
Bel Air, 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, each major fund, and the aggregate remaining fund information of Harford County Public Schools (HCPS) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise HCPS' basic financial statements, and have issued our report thereon dated September 10, 2014.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered HCPS' 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 HCPS' internal control. Accordingly, we do not express an opinion on the effectiveness of HCPS' 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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether HCPS' 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 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.

Hunt Valley, Maryland  
September 10, 2014

*SB & Company, LLC*





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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON COMPLIANCE WITH  
REQUIREMENTS FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133**

Members of the Board of  
Education of Harford County  
Bel Air, Maryland

**Report on Compliance for Each Major Federal Program**

We have audited Harford County Public School's (HCPS) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of HCPS' major Federal programs for the year ended June 30, 2014. HCPS' major Federal programs are identified in the summary of independent public accountants' 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.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of HCPS' 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 HCPS' 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 HCPS' compliance.



### ***Opinion on Each Major Federal Program***

In our opinion, HCPS 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.

HCPS's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned. HCPS's 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 HCPS 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 HCPS' internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program as a basis for designing 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 HCPS' 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.



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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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hunt Valley, Maryland  
October 17, 2014

*SB & Company, LLC*

# HARFORD COUNTY PUBLIC SCHOOLS

## Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2014

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number/ Grant Number	Federal Expenditures
<b>United States Department of Agriculture</b>			
<u>Passed through Maryland State Department of Education (MSDE)</u>			
Child Nutrition Cluster:			
Food Donation	10.555	Unknown	\$ 954,718
School Breakfast Program	10.553	Unknown	1,778,467
Summer Food Service Program for Children	10.559	Unknown	181,639
National School Lunch Program	10.555	Unknown	5,208,499
Total Child Nutrition Cluster			8,123,323
Fresh Fruits and Vegetables	10.582	Unknown	23,800
Healthy Hunger Free Kids Act Culinary Skills FY14	10.560	135383	7,200
Healthy Hunger Free Kids Act Environmental FY14	10.560	135383	374
Food Service Cook Smart FY12	10.574	125667	2,336
Food Service Cook Smart FY12	10.560	125667	5,405
<b>Total U.S. Department of Agriculture</b>			8,162,438
 <b>United States Department of Defense</b>			
Department of Defense Education Activity Churchville and Meadowvale FY12	12.030	12120003	74,876
Department of Defense Education Activity EAGLES STEM FY10	12.030	10120034	61,863
<b>Total U.S. Department of Defense</b>			136,739
 <b>United States Department of Labor</b>			
<u>Passed through Susquehanna Workforce Network</u>			
Reconnecting Youth Follow Up FY13	17.259	1312021A	12,752
Reconnecting Youth Follow Up FY14	17.259	1412028A	9,235
Reconnecting Youth FY13	17.259	1312022A	84,010
Reconnecting Youth FY14	17.259	1412029A	63,999
<b>Total U.S. Department of Labor</b>			169,996
 <b>United States Department of Education</b>			
USDE Elementary Counseling Service FY14	84.215	1412007A	218,105
 <u>Passed through MSDE</u>			
Title I Cluster:			
Title I Part A FY12	84.010	124535	154
Title I Part A FY13	84.010	134398	1,273,810
Title I Part A FY14	84.010	144479	3,858,113
Title I School Improvement Grant Focus #1 FY13	84.010	135001	7,273
Title I School Improvement Grant Focus #1 FY14	84.010	144633	83,300
Title I School Improvement Grant Focus #2 FY13	84.010	135162	53,813
Title I School Improvement Grant Approaching Targets FY14	84.010	145067	12,864
Title I School Improvement Grant Focus #3 FY13	84.010	135199	30,000
Total Title I Cluster			5,319,327

The accompanying notes are an integral part of this schedule.

# HARFORD COUNTY PUBLIC SCHOOLS

## Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2014

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number/ Grant Number	Federal Expenditures
<b>United States Department of Education (continued)</b>			
<u>Passed through MSDE (continued)</u>			
Special Education Cluster:			
Special Education MOE FY14	84.027	145079	\$ 1,870
Special Education MOE Parentally Placed FY14	84.027	145079	35
Special Education Local Flexibility FY13	84.027	134269	48,747
Special Education Local Flexibility FY14	84.027	144212	53,011
Special Education SECAC FY13	84.027	134269	589
Special Education SECAC FY14	84.027	144212	450
Special Education Parentally Placed One Time Supplemental FY14	84.173	144213	2,783
Special Education Parentally Placed FY14	84.027	144212	135,955
Special Education One Time Supplemental FY14	84.027	122213	240,098
Special Education Passthrough FY14	84.027	144212	7,152,334
Special Education Transition FY13	84.027	134269	9,887
Infant and Toddler CLIG IDEA Part D FY14	84.027	144225	48,634
Infant and Toddler CLIG IDEA IFSP Portion FY14	84.027	144225	209,065
Infant and Toddler CLIG IDEA Part B FY14	84.173	144225	9,000
Special Education PreSchool Passthrough FY13	84.173	134269	726
Special Education PreSchool Passthrough FY14	84.173	144212	191,181
Special Education PreSchool Passthrough Parentally Placed FY14	84.173	144212	304
Maryland Model for School Readiness FY13	84.173	134557	15,754
Total Special Education Cluster			<u>8,120,423</u>
Early Intervention Services (IDEA) Cluster:			
Infant and Toddler IDEA Part C FY13	84.181	134368	240
Infant and Toddler CLIG IDEA Part H FY14	84.181	144225	282,292
Infant and Toddler Supplemental FY14	84.181	145092	50,000
Total Early Intervention Services (IDEA) Cluster			<u>332,532</u>
McKinny-Vento Homeless Youth FY14	84.196	145107	19,229
Title III English Language Acquisition FY12	84.365	124292	23,019
Title III English Language Acquisition FY13	84.365	134217	29,874
Title II Part A Highly Qualified Teacher FY13	84.367	134594	47,454
Title II Part A Highly Qualified Teacher FY14	84.367	144770	939,419
Race to the Top RTTT Project #2 Year 3	84.395	115750	41,135
Race to the Top RTTT Project #2 Year 4	84.395	115750	223,255
Race to the Top RTTT Project #4 Year 3	84.395	115750	24,994
Race to the Top RTTT Project #4 Year 4	84.395	115750	68,775
Race to the Top RTTT Project #6 Year 3	84.395	115750	34,979
Race to the Top RTTT Project #6 Year 4	84.395	155750	107,023
Race to the Top RTTT Project #7 Year 3	84.395	115750	120,115
Race to the Top RTTT Project #7 Year 4	84.395	115750	94,604
Race to the Top RTTT EEA and TIA FY13	84.395	135309	149,521
Race to the Top RTTT EEA and TIA FY13	84.395	145069	375
RTTT WLP After School Chinese Program DEES FY14	84.395	144089	35,000
RTTT Early Learning Challenge FY14	84.412	135425	14,265
RTTT LEP ESOL Incentives FY14	84.395	144611	7,500
RTTT Teacher and Principal Evaluation FY14	84.395	144945	51,062
CTE Reserve Homeland Security and Emergency Preparedness FY14	84.048	144675	7,277
Carl Perkins FY13	84.048	134772	62,556
Carl Perkins FY14	84.048	144509	318,338
Project Lead the Way C Milton Wright High School FY13	84.048	134949	677
CTE Reserve Project Lead the Way CMWHS FY14	84.048	144675	19,519
CTE Reserve Project Lead the Way ABHS FY14	84.048	144675	20,616
CTE Reserve Professional Development Grant FY14	84.048	144675	9,933
Special Education Maryland Seamless Transition Collaborative FY13	84.126	134824	6,646
Special Education Maryland Seamless Transition Collaborative FY13	84.235	134824	18,747
AP/IB Test Reduction Grant FY14	84.330	144715	5,546

The accompanying notes are an integral part of this schedule.

**HARFORD COUNTY PUBLIC SCHOOLS**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2014**

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number/ Grant Number	Federal Expenditures
<b>United States Department of Education (continued)</b>			
<u>Passed through MSDE (continued)</u>			
Special Education Impact Aid for Children with Severe Disabilities FY12	84.041	12120008	\$ 10,624
Special Education Impact Aid for Children with Severe Disabilities FY13	84.041	1312018A	28,710
Special Education Impact Aid for Children with Severe Disabilities FY14	84.041	1412012A	12,889
PHHS Combating Childhood Obesity FY10	84.186	10120001	124
Community Transition Grant Recess Carts FY12	84.186	1212028	839
Community Transition Grant School Wellness FY13	84.186	1312001A	2,533
Total Passed through MSDE			16,329,454
<u>Passed through Howard County Public Schools</u>			
MSP Environmental Literacy FY14	84.366	1412009A	7,000
<b>Total U.S. Department of Education</b>			16,554,559
<b>United States Department of Homeland Security</b>			
<u>Passed through Maryland Emergency Management Administration</u>			
Urban Area Security Initiative Homeland Security Education Program FY13	97.009	1312024A	3,746
Urban Area Security Initiative Homeland Security Education Program FY14	97.009	1412039A	21,118
Urban Area Security Initiative Homeland Security Education Program FY13	97.009	1312025A	7,199
<b>Total U.S. Department of Homeland Security</b>			32,063
<b>TOTAL FEDERAL EXPENDITURES</b>			<b>\$ 25,055,795</b>

The accompanying notes are an integral part of this schedule.

# HARFORD COUNTY PUBLIC SCHOOLS

## Notes to the Schedule of Expenditures of Federal Awards June 30, 2014

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All Federal grant operations of Harford County Public Schools (HCPS) are included in the scope of the Office of Management and Budget (OMB) Circular A-133 audit (the Single Audit). The Single Audit was performed in accordance with the provisions of the OMB Circular A-133 (the Compliance Supplement). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the major grant programs noted below. The programs on the schedule of expenditures of Federal awards represent all Federal award programs and other grants with fiscal year 2014 cash or non-cash expenditures activities. For our Single Audit testing, we tested Federal award programs with 2014 cash and non-cash expenditures in excess of \$751,674 to ensure coverage of at least 25% of Federally granted funds. Our actual coverage was 25.11 %.

Major Program	Federal CFDA Number	Federal Expenditures
Title I	84.010	\$ 5,319,327
Race to the Top	84.395/84.412	972,603
		\$ 6,291,930

### 2. BASIS OF PRESENTATION

The schedule of expenditures of Federal awards has been accounted for on the accrual basis of accounting.

### 3. RECONCILIATION TO THE BASIC FINANCIAL STATEMENTS

Total expenditures per the schedule of expenditures of Federal awards reconciles to the HCPS's basic financial statements as follows:

Revenues per the Statement of Revenues, Expenditures and Changes in Fund Balances (Net Assets)	
Total per Financial Statements - State and Federal Funds	\$ 29,727,813
Less: State Restricted	10,491,150
Less: Local Restricted	298,770
Plus: Food Service	8,147,123
Total per Financial Statements	27,085,016
Less: Medical Assistance payments not recorded on SEFA	2,073,395
Plus: Change in current and prior year encumbrances	44,174
Total expenditures per schedule of expenditures of Federal awards	\$ 25,055,795

**HARFORD COUNTY PUBLIC SCHOOLS**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2014**

**Section I - Summary of Independent Public Accountants' Results**

**Financial Statements**

Type of Independent Public Accountants' report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Noncompliance material to the financial statements noted?	No

**Federal Awards**

Type of Independent Public Accountants' report issued on compliance for major programs	Unmodified
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	No

**Identification of Major Programs:**

Major Program	Federal CFDA Number	Federal Expenditures
Title I	84.010	\$ 5,319,327
Race to the Top	84.395/84.412	972,603
Dollar threshold used to distinguish between type A and B programs:		\$ 751,674
Auditee qualified as low-risk auditee?		Yes



**HARFORD COUNTY PUBLIC SCHOOLS**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2014**

**Section II - Financial Statement Findings**

None Noted.

**Section III - Federal Award Findings**

See finding 2014-001.

# **HARFORD COUNTY PUBLIC SCHOOLS**

## **Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014**

### **Finding 2014 – 001**

#### **CFDA 84.395/84.412 – Race to the Top**

#### **U.S. Department of Education (ED)**

#### **Compliance and Internal Control Deficiency over Procurement and Suspension and Debarment**

##### ***Condition:***

During our testing of procurement and suspension and debarment, we were unable to obtain a copy of a contract (which includes required Federal clauses) between the vendor and HCPS. Additionally, we were unable to obtain evidence that HCPS verified whether the vendor was suspended or debarred. However, we checked the EPLS system during our testing and noted that the vendor was not suspended or debarred. We noted that it is HCPS's policy and procedure that for transactions with vendors over \$25,000, there should be a formal contract with the vendor, which includes clauses required by Federal statutes and clauses verifying the vendor is not suspended or debarred. However, in this instance, an official contract was not otherwise available. The amount expended to the vendor was \$49,754.

##### ***Criteria:***

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. The characteristics of internal control are presented in the context of the components of internal control discussed in Internal Control-Integrated Framework (COSO Report), published by the Committee of Sponsoring Organizations of the Treadway Commission. The COSO Report provides a framework for organizations to design, implement, and evaluate control that will facilitate compliance with the requirements of Federal laws, regulations, and program compliance requirements.

*Procurement:* States, and governmental subrecipients of States, will use the same State policies and procedures used for procurements from non-Federal funds. They also must ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations. All non-Federal entities shall follow Federal laws and implementing regulations applicable to procurements, as noted in Federal agency implementation of the A-102 Common Rule and OMB Circular A-110. The requirements for procurement are contained in the A-102 Common Rule (§\_\_\_\_.36); OMB Circular A-110 (2 CFR sections 215.40 through 215.48); program legislation; Section 1605 of ARRA; 2 CFR part 176; Federal awarding agency regulations; and the terms and conditions of the award (including those required by ARRA). The specific references for the A-102 Common Rule and OMB Circular A-110, respectively, are given for each suggested audit procedure indicated below.

## **HARFORD COUNTY PUBLIC SCHOOLS**

### **Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014**

#### **Finding 2014 – 001 (continued)**

*Suspension and Debarment:* Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that 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 criteria as specified in 2 CFR section 180.220. All nonprocurement transactions entered into by a recipient (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215. 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, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA) and available at <https://www.sam.gov/portal/public/SAM/> (note: EPLS is no longer a separate system; however, the OMB guidance and agency implementing regulations still refer to it as EPLS), (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

#### ***Cause:***

HCPS did not have evidence that HCPS entered into an official contract (which includes required Federal clauses) with the vendor in accordance with its policy. Additionally, HCPS did not have evidence that HCPS obtained or maintained necessary documentation to support that it verified that the vendor was not suspended or debarred or otherwise excluded.

#### ***Effect:***

Since documentation and verification were not obtained or provided, HCPS does not have adequate assurance that the procurement, suspension and debarment requirement is properly performed and determined.

#### ***Questioned Costs:***

Unknown.

#### ***Recommendation:***

We recommend that HCPS establish procedures to ensure its policy related to procurement contracts are consistently followed and that they ensure they maintain adequate documentation to support that vendors are in compliance with established Federal regulations related to procurement and suspension and debarment requirements.

# HARFORD COUNTY PUBLIC SCHOOLS

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

### Finding 2014 – 001 (continued)

#### *Auditee Response and Corrective Action Plan:*

Harford County Public Schools agrees with the auditors finding. HCPS will work to strengthen adherence to current procedures to ensure that all contracts over \$25,000 are reviewed by the Purchasing Department. The Purchasing Department will verify compliance with all Federal regulations related to procurement and suspension and debarment requirements.

#### *Auditor's Conclusion:*

The finding remains as stated.

**HARFORD COUNTY PUBLIC SCHOOLS**

**Schedule of Prior Year Findings  
For the Year Ended June 30, 2014**

There are no prior year findings to disclose.