

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 the Howard County Public School System ("HCPSS") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise HCPSS's basic financial statements, and have issued our report thereon dated October 29, 2020.

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 opinion 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002 that we consider to be material weaknesses.

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 Findings

HCPSS's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. HCPSS's response was not subjected to the 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.

CohnReznick LLP

Baltimore, Maryland
October 29, 2020

Howard County Public School System
Schedule of Findings and Questioned Costs
June 30, 2020

2020-001 - Revenue Recognition

Statement of Condition: The accounting records for the Restricted Programs Fund required numerous material adjustments to be proposed and recorded in order for the financial statements to be fairly presented in accordance with accounting principles generally accepted in the United States of America.

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 understanding over the terms of various grants and similar programs.

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

This is a repeat finding from the prior audit.

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 ensure the individuals responsible for both the recording and approval processes related to revenue recognition in the Restricted Programs Fund 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 2020-001

- Accounting and financial reporting processes and procedures will be established and documented to ensure the appropriate application of generally accepted accounting principles for the Restricted Programs Fund. This is a key responsibility of the Finance Coordinator and the new Accounting Analyst II position, which was recently filled.

Howard County Public School System
Schedule of Findings and Questioned Costs
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2020-002 - Yearend Close Process

Statement of Condition: There were multiple audit adjustments required to accounts that are reconciled and adjusted as part of the yearend close process. Additionally, HCPSS's financial statements were not finalized timely in relation to its external deadlines.

Criteria: Internal controls over financial reporting should exist to ensure for timely reporting of financial statements that are free from material misstatement.

Cause: The financial close process is not designed to prevent, or detect and correct material misstatements or to produce complete, timely and accurate reports.

Effect: The lack of sufficiently designed and documented accounting policies and procedures related to the financial close and reporting process resulted in HCPSS not meeting its financial reporting requirements and in preparing draft financial statements that were not free from material misstatement.

This is a repeat finding from the prior audit.

Recommendation: We have the following recommendation to allow HCPSS to design and implement a sufficient yearend close process:

- The financial close process be formally documented, in a manner that is detailed and thorough, to be used to enhance the yearend closing process with regards to accuracy, efficiency and timeliness, as well as better prepare the Accounting department in the event of significant employee turnover. This documented process should include formal review procedures performed by upper level management.

View of Responsible Officials:

- The accounting office has been reorganized and procedures will be developed to ensure timely reconciliation. Staff is currently updating internal monthly and yearend closing procedures including checklists and will engage Enterprise Resource Planning experts to maximize the use of ERP functionality for closing period processes.