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Management and Board of Education
Prince George's County Public Schools
Upper Marlboro, Maryland

In planning and performing our audit of the financial statements of Prince George's County Public Schools (the School System) as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the School System'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 the School System's internal control. Accordingly, we do not express an opinion on the effectiveness of the School System's internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and other matters that are opportunities to strengthen your internal control and improve the efficiency of your operations. Our comments and suggestions regarding those matters are summarized below. A separate communication dated September 30, 2016 and titled, *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*, contains our written communication of significant deficiencies and material weaknesses in the School System's internal control. This letter does not affect our separate communication dated September 30, 2016.

Cash Reconciliations

During the audit, we noted that the bank reconciliation for one of the School System's accounts was not properly reconciled to the general ledger. Although the variance was not material to the financial statements, variances within the reconciliation process could allow errors to exist and go undetected. We recommend that all of the bank accounts be reconciled monthly to the general ledger and that all suspicious reconciling items be promptly investigated and adjusted with adequate explanations.

Management Response:

Concur. Each cash account is reconciled monthly in accordance with a monthly closing schedule. Differences between the bank balance and the balance recorded in Oracle are researched and resolved, either by entry or explanation. The June 2016 payroll bank reconciliation resulted in an immaterial difference, which was not adequately explained. The differences for the payroll reconciliation typically are timing differences, including: when checks are issued versus when they are costed to the general ledger; voiding of checks, stop payment checks; and other costing issues which are corrected in subsequent months. Moving forward, the Accounting and Financial Reporting Office will include all reconciling items with an appropriate explanation, and if needed, will make appropriate adjustments to the general ledger.

Facility Rental Billing

The School system does not currently utilize the accounting system to track and bill activity related to school facility rental. Facility rental revenue is currently initiated by each individual school and is not recorded until cash is received by the Treasury Operation Department. We believe that all billings should be initiated and recorded by the Treasury Operation Department; this practice will provide for increased control over uncollected billing and ensure any billings are properly reflected in the accounting records and cash collections are monitored.

Management Response:

Concur in part. While imperative to track all billings and receipts in the school accounting system or related interfacing payment system, the large volume, small dollar receipts from facility rental are too numerous for Treasury Operations to bill and track. In fiscal year 2015, there were an estimated 4,044 receipts for facilities rental, averaging \$667.39. In addition, the majority of customers pay in advance of usage while the logistics of rental reservation and payment is decentralized among the customer, school, and Plant Operations.

In September, 2015, Treasury Operations staff met with the then Director of Plant Operations to pursue using the MySchoolBucks online payment system to speed payments and increase controls. The idea was well received, and discussion surrounded the interfacing of MySchoolBucks with an online application called "School Dude", which would secure a customer's rental site reservation once the payment was received. This project was cancelled, however, and further discussion or direction had not been received. Treasury Operations staff will meet with current Plant Operations administration and IT staff to address possible solutions to this concern.

Information Technology Super User

One key element of internal accounting control involves the segregation of duties in such a manner in which the work of one employee is checked by others and that no individual can carry out and conceal errors or irregularities in performing their job responsibilities. During our review of user access we noted there are several "General Ledger Super Users" that can both post and approve journal entries, which could allow for an error or irregularity to go undetected.

Management Response:

Concur in part. Currently, the two Assistant Controllers and one Analyst III within the Accounting office have the ability to review journal entries as well as to post. There are two other staff members that do not have review responsibility that are designated to post journals. However, due to staff work schedules and availability of staff, occasionally the Assistant Controllers and Analyst are needed to post journals other than their own. Their inability to post journals would not be practical for the most efficient operation within the current accounting office structure, and would require that other additional staff be granted General Ledger Super User access in order to post. This would also increase the additional staff's access to other features, which would not be in the best interest of internal controls.

In order to effectively increase internal controls in this area, staff will work collaboratively with the Information Technology department to investigate other options that might be available to gain systematic control over the posting process, and at minimum to generate a report of posting activity for a periodic review by the Director of Business Operations to verify posting accountability.

Other Postemployment Benefits Accounting and Financial Reporting

During June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, which establish new financial reporting requirements for governments that provide other postemployment benefits (OPEB).

The implementation of these Statements will represent a significant change in how the School System will calculate and report annual cost and the related long-term OPEB liability. The implementation of these Statements will require:

- The net OPEB liability to be measured as the total OPEB liability, less the amount of the OPEB plan's fiduciary net position. For governments that provide OPEB through a defined benefit OPEB plan *not* administered through a trust meeting specified criteria, the liability reported in the financial statements would be the total OPEB liability.
- Projection of benefits payments be discounted to their present value using the long-term rate of return on OPEB assets, or a 20-year tax exempt, high-quality general obligation municipal bond yield.
- Use of a single actuarial cost allocation method ("entry age actuarial cost method").
- Expanded OPEB note disclosures.
- Expanded OPEB required supplementary information.

Given the significance of the net OPEB liability, the financial reporting impact under the new standard could significantly affect the School System's financial statements.

It should be noted that the implementation of GASB Statement No.'s 74 and 75 are strictly financial reporting standards and do not constitute a governmental mandate regarding the funding of the net OPEB obligation.

The provisions in Statement 74 are effective for financial statements for fiscal years beginning after June 15, 2016. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various School System personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, Board of Education of Prince George's County, and others within the School System, and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Baltimore, Maryland
September 30, 2016