

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, 2017, 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 29, 2017 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 29, 2017.

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 and that the review of these accounts were not within a reasonable timeframe. Although the variance were 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 2017 payroll bank reconciliation resulted in an immaterial difference (.04% to total payments in June), 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.

Treasury Operations staff had met with the previous 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. Status: Plant Operations for facilities rental (School Dude Integration): Teleconference took place on 3/30 with My School Bucks (MSB), School Dude, and the School System to discuss business process requirements. Per School Dude, "all looks attainable, nothing impossible". Two integration documents have been shared and MSB setting up a stage for testing. Scheduled live date is November 1, 2017.

Leave Liability

During our review of the Annual Leave liability calculation at year end we noted several errors in the leave liability calculation which resulted in an accounting reserve being recorded for some individuals who were not entitled for leave amounts and no reserve being recorded for individuals who were entitled to leave amounts. In addition, we noted an employee who was paid an inaccurate amount for termination benefit. This employee was overpaid based on the union agreement in effect during the year. We recommend the School update the leave liability calculation to ensure the amounts recorded at year end are accurate.

Management's response

Partially Concur. A computer program estimates the Board's long-term liability for paid time off (PTO). This is independent of the *Oracle* accounting system and has no impact on payments to staff retiring or leaving the School System. We do agree that code used to estimate PTO liability needs to be updated to reflect changes in union agreements. However, we believe that the program as it currently exists is a reasonable representation of the School System's PTO liability. A working group of representatives from Information Technology, Human Resources, Payroll Services, and Financial Services will be established to review the existing program output and design procedures for timely updating of coding as union agreements change and other events occur that affect the Board's long-term PTO liability.

Any overpayments brought to the attention of the School System are researched and resolved immediately. Typically, employees who have left the School System are billed through Treasury Operations.

We will review the status of these comments during our next audit engagement. We have already discussed 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Baltimore, Maryland
September 29, 2017