



# Report on Office of Legislative Audits Audit Findings

**Joint Chairmen's Report Page 167**

May 2023



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MARYLAND STATE DEPARTMENT OF EDUCATION

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**Mohammed Choudhury**

State Superintendent of Schools

**Justin Dayhoff**

Assistant Superintendent of Financial Planning, Operations, and Strategy

**Wes Moore**

Governor

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# Joint Chairmen's Report Information Request

The 2023 Joint Chairmen's Report includes report language for the Maryland State Department of Education's (MSDE) Headquarters Operating Budget (R00A01) pertaining to the findings of an Office of Legislative Audits report covering the period of January 1, 2018, through May 31, 2021. The audit pre-dates the current Administration but MSDE is dedicated to addressing the concerns of the OLA audit report and has taken immediate action.

## REPORT REQUEST

Maryland's Fiscal Year 2024 Operating Budget (HB200 of 2023) requires MSDE to:

*provided that \$100,000 of this appropriation may not be expended until the Maryland State Department of Education submits a report by November 1, 2023, addressing concerns from a January 2023 audit conducted by the Office of Legislative Audits. This report should provide details on actions taken by the agency to resolve all five unredacted audit findings. The budget committees shall have 45 days from the date of the receipt of the report to review and comment. Funds restricted pending the receipt of a report may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the report is not submitted to the budget committees.*

The Joint Chairmen's Report of 2023 further explains:

*In a recent audit by the Office of Legislative Audits (OLA), the Maryland State Department of Education (MSDE) had eight new findings and one repeat finding, with four redacted cybersecurity findings. These findings involved the use of Blueprint for Maryland's Future special funds, enrollment audits of local education agencies, appropriate monitoring of fiscal management practices, and State procurement procedures. This language directs MSDE to submit a report regarding actions taken to resolve these findings.*

## MSDE RESPONSE

The MSDE response, described below, addresses the requirements of this report, as follows:

1. Finding Clarification - response to OLA Findings One, Two, and Three
2. Actions in Response to OLA Findings

When Superintendent Choudhury began his tenure on July 1 2021, he refocused, reorganized, and strengthened the MSDE Office of Audits to continue to monitor the progress of corrective action plans to OLA findings as well as monitor the Department's operational efficiency and effectiveness. MSDE also has hired a Chief Information Security Officer and appointed a Chief Data Privacy Officer, who are leading the Department's data privacy, cybersecurity, and regulatory compliance efforts. MSDE will continue to take proactive corrective actions to implement the recommendations suggested in the OLA audit report to reduce and ultimately eliminate future audit findings, but MSDE will also challenge mischaracterizations and inaccuracies when they occur. MSDE appreciates the efforts of the OLA audit team to provide the Department with recommendations for improvements.

# Finding Clarification

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As reflected in MSDE's written responses to the audit report, MSDE agreed with most of the recommendations and has already begun taking proactive steps towards implementing corrective actions. MSDE will include information on the findings as required by this report but provide some additional clarification to the final audit report as it relates to the auditor's comments associated with findings one, two, and three.

## FINDING ONE

**Report finding one is:** The Maryland State Department of Education (MSDE) did not ensure [local education agencies] LEAs used Blueprint for Maryland's Future funds in accordance with the purposes established by State law.

The finding as written is misleading. The detailed description of the finding makes clear that the OLA report did not find that MSDE has a monitoring issue with Blueprint programs. MSDE presented examples of how the Department operated its monitoring of restricted programs, which included Department budget review and approval, and approval of expenses prior to providing reimbursement for Blueprint program expenses. OLA simply asked MSDE to procure additional audit services and to sample the reported expenses from the LEAs on a test basis to ensure that reported expenses from LEAs for grant programs have sufficient supporting documentation.

## FINDING TWO

**Report finding two is:** MSDE should consider establishing a monitoring process to ensure LEAs implemented appropriate corrective actions to address findings from MSDE's financial management practices audit reports.

Finding 2 comments strongly imply that MSDE has already developed and plans to implement a monitoring process to ensure LEAs appropriately address findings from OLA audit reports. That implication is not reflected in MSDE's response and is outside the role and purview of the Department. MSDE does not have express authority over the enforcement of LEA corrective actions to OLA audits. However, the State Government Article provides OLA with the authority to audit LEAs at any time.

### FINDING THREE

**Report finding three is:** MSDE's enrollment audits did not incorporate certain procedures to ensure LEAs properly recorded and reported student attendance used to calculate State funding.

Regarding the Finding 3 comments, OLA's reference to inaccurate enrollment reporting identified by the Office of Inspector General for Education (OIGE) Investigative Audit of MSDE State Aid Enrollment Counts is misleading without clearly stating MSDE's disagreement with the facts and inaccuracies to the OIGE report. Further, MSDE contends that this OIGE report fundamentally fails to understand, capture, or accurately reflect statute and statutory intent for how State aid funding works. MSDE's response to the OIGE report maintained that state aid funding was not misallocated to local education agencies since it was based on the September 30th enrollment count from each district as required by statute. Based on data contained in the OIGE's report, the Department had greater than 99.9% accuracy of enrollment reporting for the five-year period audited by the OIGE. However, the auditor's comment indicates that the OIGE report appears to refute the fact that MSDE had a 99.9% accuracy of enrollment reporting. That is inaccurate. The OIGE report reads:

"The OIGE agrees that only a small percentage of students in annual enrollment counts were subsequently reported by LEAs as ineligible."

A complete copy of MSDE's response to the OIGE Investigative Audit Report is attached to this report for reference.

# Actions in Response to OLA Findings

Despite MSDE's concerns over mischaracterizations in the OLA report, MSDE takes seriously its roles and responsibilities as fiduciary steward of State resources, particularly those associated with the Blueprint for Maryland's Future.

## TEST SAMPLING OF LOCAL EDUCATION AGENCY SUPPORTING DOCUMENTATION (FINDING ONE)

MSDE is in the process of releasing a Task Order Request for Proposal (TORFRP) for this purpose. MSDE works with and supports its LEAs regarding Blueprint resource deployment, use, and monitoring through near constant engagement, including weekly calls with LEA Chief Financial Officers. Successful, rigorous, and correct Blueprint resource allocation and expenditure at the LEA- and school-level is a monumental policy shift, but one MSDE is working diligently to support as LEAs enact the programmatic work of the Blueprint; and one to which our LEAs are equally committed.

## LOCAL EDUCATION AGENCY CORRECTIVE ACTION MONITORING (FINDING TWO)

MSDE's Office of Audits currently performs LEA enrollment audits, internal audits of MSDE divisions, financial desk reviews of federal grant awards, and follow up audits of MSDE headquarters (not LEA) OLA findings. The State gives OLA the staff, personnel, and resources to carry out its work. If it is the Assembly's intent to shift OLA work to MSDE, MSDE would welcome the work atop existing Department responsibilities but that would need to be assessed against MSDE positions and the funding required to implement a new, ongoing monitoring process of corrective actions LEAs take to address OLA findings.

## LOCAL EDUCATION AGENCY ENROLLMENT VERIFICATION (FINDING THREE)

Even with greater than 99.9% accuracy of enrollment reporting, the Department has taken proactive steps to strengthen Department controls over enrollment reporting. Specifically, MSDE has created additional error and system checks within MSDE's web-based data collection system to improve the accuracy of enrollment reporting that were implemented as early as the September 2022 data collection period. As a result of the OIGE audit report, additional system checks will be applied to the early and end of year data collections. The additional system checks developed in conjunction with the LEA enrollment audits conducted by the Office of Audits will further improve the accuracy of enrollment reporting for the <.01% of data at issue.

## REVISED SYSTEMS AND PROTOCOLS (FINDING EIGHT)

MSDE is already moving forward in implementing strong monitoring protocol for Blueprint programs which, under the law, go to LEAs as an automatic bi-monthly payment and are not operated as restricted programs that require grant program budget and pre-approval. In alignment with Blueprint requirements in 5-234 and 5-406 of the Education Article, MSDE collected detailed expense reporting from each LEA associated with Blueprint spending in FY 2023 for all of the thirteen major categories of funding programs in the law. MSDE is doing so prior to the timeline for detailed Blueprint budgeting and spending requirements that take effect in FY 2025. MSDE is also implementing a new Statewide Finance and Data System (as laid out in the Blueprint for Maryland's Future) that will for the first time allow the Department to see transaction level detail of budgeted/allocated and expended Blueprint resources at the school-level for each Maryland LEA. MSDE will gain greater transparency into more detailed budget data, spending data, and student information data related to that required by the Blueprint for Maryland's Future.



**REVISED SYSTEMS AND PROTOCOLS (FINDING NINE)**

MSDE agreed with finding nine of the report and, by August 1, 2022, had already completed the following corrective actions:

- The Office of Procurement and Contract Management (OPCM) staff has implemented a new process to ensure that two State employees are present, and witness bid proposal openings. In this regard, the OPCM staff will create an automated calendar invite for each procurement bid opening and ensure that at least two State employees are included on the calendar invite. A bid tab form will then be generated, reviewed, and signed by both State employees, in order to accurately document results, time and date of the bid opening. The bid tab will be scanned and remain a part of the procurement file.
- The OPCM has developed and implemented a new procurement file checklist that each OPCM staff member will be required to use to ensure that all procurement documentation per Section 1.5.3 of the Maryland Procurement Manual, which includes the technical and price proposals, and bid evaluation, is retained in the procurement file and that no documents are missing. This checklist is to be completed by the date when the Notice to Proceed authorization is received from State Procurement.
- In the future, OPCM will publish contract awards on Maryland's eMaryland Marketplace Advantage (eMMA) as required by the Maryland Procurement Manual. To accomplish this, as discussed in the response to recommendations, a new procurement file checklist was created that includes a field that documents the posting of the award in eMMA. Again, this checklist is to be completed by the date when the Notice to Proceed authorization is received from State Procurement.





**Mohammed Choudhury**  
State Superintendent of Schools

February 16, 2023

Honorable Bill Ferguson  
Maryland Senate President  
100 State Circle  
Annapolis, Maryland 21401

Honorable Adrienne Jones  
Maryland House Speaker  
100 State Circle  
Annapolis, Maryland 21401

Honorable Clarence Lam  
Senate Chair, Joint Audit and Evaluation Committee  
Miller Senate Office Building, Room 420  
11 Bladen Street  
Annapolis, Maryland 21401

Honorable Jared Solomon  
House Chair, Joint Audit and Evaluation Committee  
Lowe House Office Building, Room 222  
6 Bladen Street  
Annapolis, Maryland 21401

RE: Office of Legislative Audit Report of the Maryland State Department of Education

Honorable President Ferguson, Speaker Jones, and Chairs Lam and Solomon:

In response to the Office of Legislative Audits' (OLA) report dated January 31, 2023, I want to reiterate the Maryland State Department of Education's (MSDE) commitment to continuous improvement in our processes and our intention to mitigating audit findings. I also want to clarify some of the report findings, which mischaracterized MSDE's response and MSDE's good faith collaboration with the OLA audit team. The OLA audit report covered the period of January 1, 2018, through May 31, 2021, which pre-dates my administration but I assure you we are dedicated to addressing the concerns of the OLA audit report.

As reflected in our written responses to the audit report, MSDE agreed with most of the recommendations and has already begun taking proactive steps towards implementing corrective actions. MSDE would respectfully like to provide some additional clarification to the final audit report as it relates to the auditor's comments to Findings 1, 2, and 3.

The auditor's Finding 2 comments strongly imply that MSDE has already developed and plans to implement a monitoring process to ensure local education agencies (LEAs) appropriately address findings from OLA audit reports. That implication is not reflected in our response and is outside the role and purview of the Department. MSDE does not have express authority over the enforcement of LEA corrective actions to OLA audits. However, the State Government Article provides OLA with the authority to audit LEAs at any time. MSDE's Office of Audits currently performs LEA enrollment audits, internal audits of MSDE divisions, financial desk reviews of federal grant awards, and follow up audits of MSDE headquarters (not LEA) OLA findings. The State gives OLA the staff, personnel, and resources to carry out its work. If it is the Assembly's intent to shift OLA work to MSDE, MSDE would welcome the work atop existing Department responsibilities but that would need to be assessed against MSDE positions and the funding required to implement a new, ongoing monitoring process of corrective actions LEAs take to address OLA findings.

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Regarding the Finding 3 comments, the OLA's reference to inaccurate enrollment reporting identified by the Office of Inspector General for Education (OIGE) Investigative Audit of MSDE State Aid Enrollment Counts is misleading without clearly stating MSDE's disagreement with the facts and inaccuracies to the OIGE report. Further, MSDE still contends that this OIGE report fundamentally fails to understand, capture, or accurately reflect Statute and Statutory intent for how State aid funding works. MSDE's response to the OIGE report maintained that state aid funding was not misallocated to local education agencies since it was based on the September 30th enrollment count from each district as required by statute. Based on data contained in the OIGE's report, the Department had greater than 99.9% accuracy of enrollment reporting for the five-year period audited by the OIGE. However, the auditor's comment indicates that the OIGE report appears to refute the fact that MSDE had a 99.9% accuracy of enrollment reporting. That is inaccurate. The OIGE report reads:

*"The OIGE agrees that only a small percentage of students in annual enrollment counts were subsequently reported by LEAs as ineligible."*

A complete copy of MSDE's response to the OIGE Investigative Audit Report is attached to this letter for your reference. Even with greater than 99.9% accuracy of enrollment reporting, the Department has taken proactive steps to strengthen our controls over enrollment reporting. Specifically, MSDE has created additional error and system checks within our web-based data collection system to improve the accuracy of enrollment reporting that were implemented as early as the September 2022 data collection period. As a result of the OIGE audit report, additional system checks will also be applied to the Early and End of Year data collections. The additional system checks developed in conjunction with the LEA enrollment audits conducted by the Office of Audits will further improve the accuracy of enrollment reporting for the <.01% of data at issue.

Finally, the OLA provided a brief comment regarding MSDE's Information Technology (IT) operations, which did not clearly emphasize the significant level of responsibility residing within the Maryland Department of Information Technology (DoIT) over the Agency's IT functions. It is important to note that those responsibilities within DoIT impact the Agency's ability to adequately and quickly resolve the IT findings identified by the auditors. Specifically, three of the four IT findings identified require corrective actions by DoIT including encryption of MSDE databases in DoIT managed hardware, annual firewall reviews, and endpoint configuration management. MSDE's Office of Information Technology (OIT) has been collaborating with DoIT to resolve the information technology findings. Furthermore, MSDE and DoIT conduct two standing weekly meetings and routine daily communications to review outstanding OLA-related service tickets and other security concerns. The existing State structure limits the MSDE's ability to directly intervene and address the IT findings identified in the OLA report. MSDE concurs with the recommendations and will collaborate with DoIT to take actions to address the IT findings.

Despite MSDE's concerns over mischaracterizations in the OLA report, MSDE takes seriously its roles and responsibilities as fiduciary steward of State resources, particularly those associated with the Blueprint for Maryland's Future. Notably, the OLA report did not find that MSDE has a monitoring issue with Blueprint programs. MSDE presented examples of how the Department operated its monitoring of restricted programs, which included Department budget review and approval, and approval of expenses prior to providing reimbursement for Blueprint program expenses. The OLA simply asked MSDE to procure

additional audit services and to sample the reported expenses from the LEAs on a test basis to ensure that reported expenses from LEAs for grant programs have sufficient supporting documentation. MSDE is in the process of releasing a Task Order Request for Proposal (TORFRP) for this purpose. MSDE works with and supports its LEAs regarding Blueprint resource deployment, use, and monitoring through near constant engagement, including weekly calls with LEA Chief Financial Officers. Successful, rigorous, and correct Blueprint resource allocation and expenditure at the LEA- and school-level is a monumental policy shift, but one MSDE is working diligently to support as LEAs enact the programmatic work of the Blueprint; and one to which our LEAs are equally committed.

MSDE is already moving forward in implementing strong monitoring protocol for Blueprint programs which, under the law, go to LEAs as an automatic bi-monthly payment and are not operated as restricted programs that require grant program budget and pre-approval. In alignment with Blueprint requirements in 5-234 and 5-406 of the Education Article, MSDE collected detailed expense reporting from each LEA associated with Blueprint spending in FY 2023 for all of the thirteen major categories of funding programs in the law. MSDE is doing so prior to the timeline for detailed Blueprint budgeting and spending requirements that take effect in FY 2025. MSDE is also implementing a new Statewide Finance and Data System (as laid out in the Blueprint for Maryland's Future) that will for the first time allow the Department to see transaction level detail of budgeted/allocated and expended Blueprint resources at the school-level for each Maryland LEA. MSDE will gain greater transparency into more detailed budget data, spending data, and student information data related to that required by the Blueprint for Maryland's Future.

When I began my tenure, I refocused, reorganized, and strengthened the Office of Audits to continue to monitor the progress of corrective action plans to OLA findings as well as monitor our operational efficiency and effectiveness. MSDE also has hired a Chief Information Security Officer and appointed a Chief Data Privacy Officer, who are leading the Department's data privacy, cybersecurity, and regulatory compliance efforts. MSDE will continue to take proactive corrective actions to implement the recommendations suggested in the OLA audit report to reduce and ultimately eliminate future audit findings, but MSDE will also challenge mischaracterizations and inaccuracies when they occur. I appreciate the efforts of the OLA audit team to provide us with recommendations for improvements; indeed, I value the function and purpose of OLA as I work to transform the Department and to implement the once-in-a-generation Blueprint for Maryland's Future.

If you have questions or need additional information, please contact Justin Dayhoff, Assistant State Superintendent, Office of Financial Planning, Operations and Strategy at [justin.dayhoff@maryland.gov](mailto:justin.dayhoff@maryland.gov) or 410-767-0439.

Sincerely,



Mohammed Choudhury  
State Superintendent of Schools

Audit Report

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**Maryland State Department of Education**

January 2023

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**Public Notice**

**In compliance with the requirements of the State Government Article Section 2-1224(i), of the Annotated Code of Maryland, the Office of Legislative Audits has redacted cybersecurity findings and related auditee responses from this public report.**



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DEPARTMENT OF LEGISLATIVE SERVICES  
MARYLAND GENERAL ASSEMBLY**

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DEPARTMENT OF LEGISLATIVE SERVICES  
OFFICE OF LEGISLATIVE AUDITS  
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber  
Executive Director

Gregory A. Hook, CPA  
Legislative Auditor

January 31, 2023

Senator Clarence K. Lam, M.D., Senate Chair, Joint Audit and Evaluation Committee  
Delegate Jared Solomon, House Chair, Joint Audit and Evaluation Committee  
Members of Joint Audit and Evaluation Committee  
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Maryland State Department of Education (MSDE) for the period beginning January 1, 2018 and ending May 31, 2021. MSDE is responsible for setting statewide goals for school performance, monitoring school achievement, and distributing financial aid. MSDE also operates educational programs in the State's juvenile services facilities, and provides services to people with disabilities.

Our audit disclosed that MSDE did not ensure that Blueprint for Maryland's Future (Blueprint) funds provided to Local Education Agencies (LEAs) were used in accordance with the purposes established by State law. Specifically, MSDE did not obtain documentation of actual LEA expenditures and compare this documentation to the related application to ensure the LEAs used the funds in accordance with the purposes established by State law.

In addition, in order to establish increased accountability, we believe that MSDE should establish a monitoring process to ensure LEAs implemented appropriate corrective actions to address findings from our Office's financial management practices audit reports. Our most recent audit reports of the 24 LEAs identified 318 findings, including 171 findings repeated from the preceding audit. Our review disclosed that although MSDE can obtain copies of the LEA audit reports, it did not require the LEAs to periodically report on the status of corrective actions. Consequently, MSDE lacked assurance that audit findings were

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appropriately addressed to ensure policies, procedures, and controls were effective in accounting for and safeguarding LEA assets, and provided for the efficient use of financial resources.

Furthermore, we determined that MSDE's audits of LEA enrollment data could be more effective if it used a risk-based approach to determine which enrollment records to test, reviewed controls over the LEA's processes to record student attendance, and conducted a comprehensive review to determine if errors noted during its audits were the result of potential systemic issues requiring corrective action at the LEAs. Improving the enrollment audit processes is important since State funding to the LEAs is primarily based on enrollment counts.

Additionally, we noted deficiencies with MSDE's security and control over its information systems and network. However in accordance with the State Government Article, Section 2-1224(i) of the Annotated Code of Maryland, we have redacted these findings from this audit report. Specifically, State law requires the Office of Legislative Audits to redact cybersecurity findings in a manner consistent with auditing best practices before the report is made available to the public. The term "cybersecurity" is defined in the State Finance and Procurement Article, Section 3A-301(b), and using our professional judgment we have determined that the redacted findings fall under the referenced definition. The specifics of the cybersecurity findings were previously communicated to MSDE as well as those parties responsible for acting on our recommendations.

Finally, we noted a lack of verification of data related to certain grants and certain contract procurement and monitoring deficiencies.

Based on our current audit assessment of significance and risk to our audit objectives, our audit included a review to determine the status of seven of the eight findings contained in our preceding audit report. For the three non-cybersecurity findings, we determined that MSDE satisfactorily addressed two of those findings. The remaining finding is repeated in this report.

MSDE's response to this audit is included as an appendix to this report. We reviewed the response to our findings and related recommendations, and have concluded that the corrective actions identified are sufficient to address all audit issues. While MSDE generally agrees with the recommendations in this report, we identified certain statements in the response requiring an "auditor's comment" to further explain our position. In accordance with our policy, we have edited any vendor names or products mentioned by MSDE in this document. Consistent with the requirements of State law, we have redacted the elements of MSDE's response related to cybersecurity audit findings.



We wish to acknowledge the cooperation extended to us during the audit by MSDE and its willingness to address the audit issues and implement appropriate corrective actions.

Respectfully submitted,

A handwritten signature in black ink that reads "Gregory A. Hook". The signature is written in a cursive style with a large initial 'G' and 'H'.

Gregory A. Hook, CPA  
Legislative Auditor



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# Background Information

## Agency Responsibilities

The Maryland State Department of Education (MSDE), as the staff agency of the State Board of Education, supports the development and operation of educational programs throughout the State. MSDE is responsible for setting Statewide goals for school performance, monitoring school achievement, and distributing financial aid. MSDE also operates educational programs in the State's juvenile services facilities, and provides services to people with disabilities. MSDE consists of the Headquarters and nine units or divisions. This audit report includes the operations of the following four units or divisions.

- **Headquarters** – Centralized business services including procurement, accounts payable, corporate purchasing cards, grants management, human resources, payroll, internal audits, and the Division of Rehabilitation Services
- **Aid to Education** – Formula funding grants and grants for the Blueprint for Maryland's Future for local education agencies
- **Funding for Educational Organizations** – Grants to the Maryland School for the Blind, Blind Industries and Services of Maryland, and other educational institutions (such as museums and theaters)
- **Children's Cabinet Interagency Fund** – The Fund's purpose is to ensure the effective, efficient and comprehensive delivery of services to Maryland's children and families by coordinating the programs and policies of the State child-serving agencies.

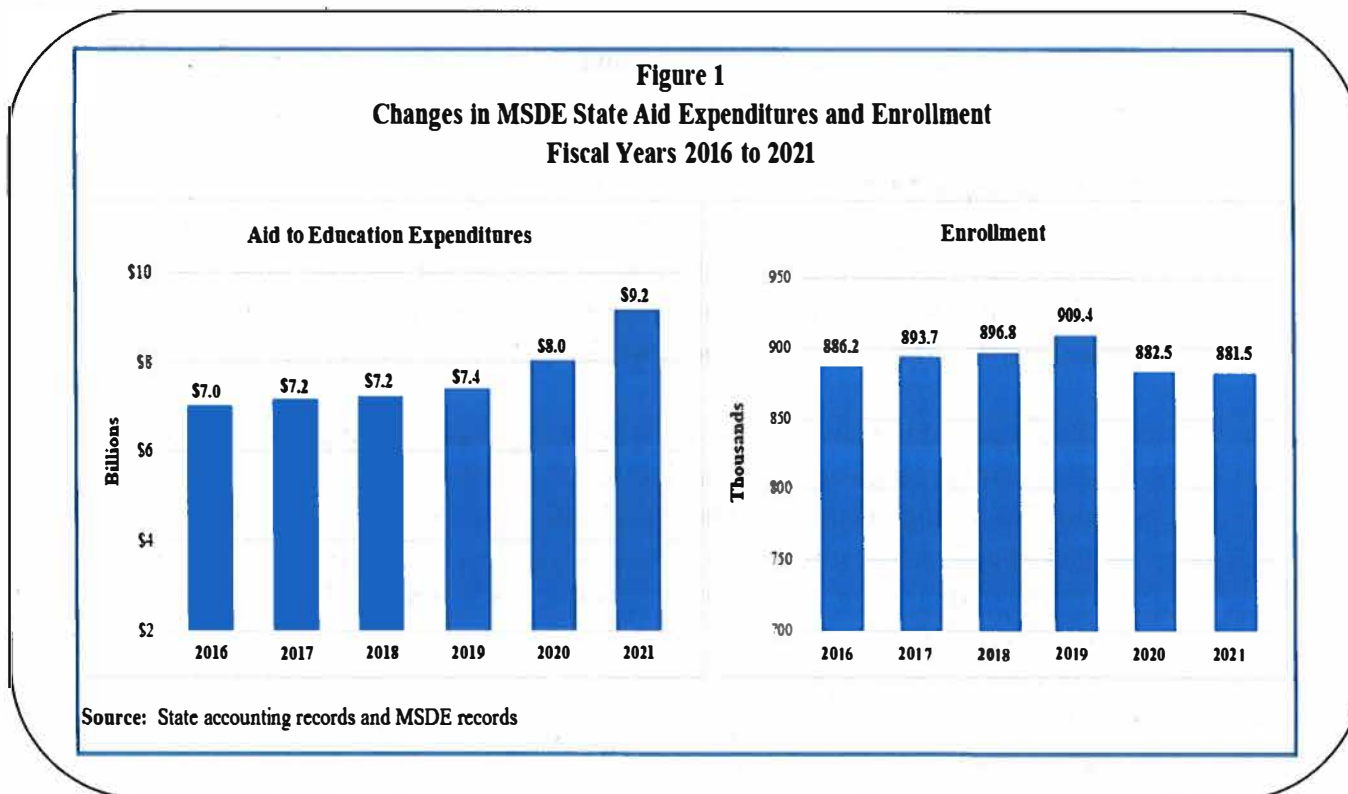
The remaining six units or divisions of MSDE (Division of Early Childhood Development (including child care scholarship program), Maryland Longitudinal Data System Center, Interagency Commission on School Construction, Maryland Center for School Safety, Office of the Inspector General for Education, and the Accountability and Implementation Board) are included within the scope of, and reported upon, in separate audits.<sup>1</sup> The support services these units or divisions receive from MSDE Headquarters are subject to review and testing during this audit.

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<sup>1</sup> According to State law, the Maryland Center for School Safety was reformed as an independent unit within MSDE effective June 2018. The Center was originally established in July 2013 as an independent unit and budgeted within the Department of State Police where it was subject to our audit. Additionally, according to State law, the Office of the Inspector General for Education was established as an independent unit of State government effective June 2019, and the Accountability and Implementation Board was authorized as an independent unit of State government effective February 2021. Our Office will be auditing these three units separately in the future.

According to the State’s records, during fiscal year 2021 MSDE’s operating expenditures totaled approximately \$9.8 billion, of which \$9.4 billion related to the four units or divisions audited. This includes approximately \$9.2 billion in Aid to Education, of which \$6.3 billion are grants awarded to local education agencies. The remaining \$2.9 billion are comprised of payments for education related costs such as the employers’ share of retirement costs for local school system employees, and certain innovative programs.

As noted in Figure 1, Aid to Education expenditures increased \$2.2 billion since fiscal year 2016. The significant increase in Aid to Education expenditures from fiscal year 2019 to 2021 was primarily attributed to federal funds to address the COVID-19 pandemic health crisis and State funds for the Blueprint for Maryland’s Future grants. During the period from fiscal year 2016 to 2019 student enrollment slightly increased, but significantly decreased in fiscal year 2020. MSDE advised us that the decrease in enrollment was primarily attributed to the COVID-19 pandemic health crisis when parents and guardians chose to either homeschool or enroll students in private schools.



## Resource Sharing Agreements Audit

On August 3, 2018, we issued a performance report on *Telecommunication Resource Sharing Agreements (RSAs)* to evaluate the State's use and oversight of telecommunications resource sharing agreements between multiple State agencies (including MSDE) and private companies. This report included a number of findings related to selected agencies, but emphasized the need for the Department of Information Technology to exercise greater oversight of resource sharing agreements. The performance audit included the following two findings related to MSDE.

- MSDE did not deposit RSA funds into the State's Major Information Technology Development Project (MITDP) fund as required at the time of the audit.<sup>2</sup>
- MSDE did not always include adequate provisions in its RSAs to protect State interests.

MSDE generally agreed to the findings and recommendations in the August 2018 report.

## State Grants Audit

On November 10, 2021, we issued a performance report on *State Grants* to assess the State's policies and guidance for advertising, awarding, and monitoring State-funded grants. The report contained two findings related to MSDE.

- The State did not have standardized grant applications and grant agreements. As a result, certain agencies (including MSDE) did not include critical provisions in grant agreements. Specifically, MSDE's grant agreements lacked eight of the nine critical provisions (such as, conflict of interest, sub-grantee requirements, political contribution disclosures, and termination for default or convenience).
- MSDE made advanced payments totaling \$182,000 on a fiscal year 2020 and 2021 grant when the related grant agreements only allowed for payments on a

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<sup>2</sup> As a result of the performance audit, the Office of the Attorney General provided an advice which concluded that since the Department of Information Technology (DoIT) did not properly identify MSDE's two agreements as RSAs, the compensation received from the agreements did not have to be deposited into the State's MITDP fund. The advice also concluded that any future MSDE agreements should be submitted to DoIT for review and approval and compensation should be deposited into the MITDP Fund.



reimbursable basis. We did not review these grants during our current audit, but noted issues with other grants for which MSDE did not verify the accuracy of grantee expenditure and performance data and did not perform site visits.

MSDE generally agreed to the finding and related recommendation regarding the advanced grant payment. For the finding regarding the standardized grant applications and grant agreements, we did not specifically recommend MSDE to revise its grant application or grant agreements. Instead, we recommended that the Governor's Grants Office (GGO) and the Department of Budget and Management (DBM), under the direction of the Maryland Efficient Grant Application Council, work to develop a uniform grant application and agreement that incorporates critical mandatory provisions and requires State agencies to use these documents. Both GGO and DBM agreed with the finding and related recommendation.

### **Status of Findings From Preceding Audit Report**

Based on our current assessment of significance and risk relative to our audit objectives, our audit included a review to determine the status of seven of the eight findings contained in our preceding audit report dated July 2, 2019. As disclosed in Figure 2, for the three non-cybersecurity-related findings, we determined that MSDE satisfactorily addressed two of those findings. The remaining finding is repeated in this report.

**Figure 2  
Status of Preceding Findings**

<b>Preceding Finding</b>	<b>Finding Description</b>	<b>Implementation Status</b>
Finding 1	MSDE's Division of Rehabilitation Services (DORS) did not always make initial consumer contacts and complete individual plans for employment timely. In addition, we determined that, as of January 2018, DORS paid \$10.9 million more for consumer services than budgeted in the approved individual plans for employment for 2,600 consumers.	Not repeated
Finding 2	Federal fund reimbursement requests for the Nutrition Block Grant were not always complete and timely, resulting in lost investment income totaling approximately \$300,000.	Not repeated
Finding 3	MSDE did not verify the accuracy of grantee expenditure data and performance reports, and did not conduct comprehensive site visits of grantees.	<b>Repeated</b> (Current Finding 8)
Finding 4	Sensitive personally identifiable information maintained by MSDE was stored without adequate safeguards.	Status Redacted <sup>3</sup>
Finding 5	MSDE lacked assurance that certain significant applications and sensitive student data managed by third-party contractors were properly secured against operational and security risks.	Status Redacted <sup>3</sup>
Finding 6	MSDE did not have a complete information technology disaster recovery plan for recovering computer operations.	Status Redacted <sup>3</sup>
Finding 7	Malware protection was not sufficient to provide MSDE with adequate assurance that its computers were properly protected.	Status Redacted <sup>3</sup>
Finding 8	Certain MSDE units did not record and restrictively endorse check collections immediately upon receipt as required.	Not repeated (Not followed up on)

<sup>3</sup> Specific information on the current status of cybersecurity-related findings 4 through 7 has been redacted from this publicly available audit report in accordance with State Government Article, Section 2-1224(i) of the Annotated Code of Maryland.

## Findings and Recommendations

### Oversight and Monitoring of Local Education Agencies

#### Background - Blueprint for Maryland's Future

The Blueprint for Maryland's Future (Blueprint) is a State funded grant program based on recommendations of the Maryland Commission on Innovation and Excellence in Education (Commission). The Commission was established by Chapters 701 and 702, Laws of Maryland 2016, effective June 1, 2016 to review the adequacy of funding for education. Chapter 771, Laws of Maryland, 2019, effective June 1, 2019, established principles of the Blueprint that are intended to transform Maryland's early childhood, primary, and secondary education system to the levels of the highest-performing systems. The law establishes certain programs and entities; provides funding in fiscal 2020; and mandates funding in fiscal 2021 and 2022.

According to State records, fiscal year 2020 and 2021 Blueprint expenditures totaled \$250.9 million and \$393.6 million, respectively. See Figure 3 for the major grant programs established and funded by the Blueprint.

Chapter 36, Laws of Maryland, 2021 established the Accountability and Implementation Board, (AIB) as an independent unit of State government to hold State and local governments, including Local Education Agencies (LEAs), accountable for implementing the Blueprint and evaluating the outcomes during the implementation period. The AIB is responsible for monitoring LEA expenditures to ensure that they are within the requirements of the Blueprint. The AIB was formed in October 2021 and its first meeting was on November 15, 2021.

**Figure 3**  
**Blueprint for Maryland's Future Grant Program**  
**Fiscal Year 2020 and 2021 Expenditures**  
**(Dollar amounts in millions)**

Grant Programs	Fiscal Year	
	2020	2021
Teacher Salary Incentive	\$75.0	\$75.0
Special Education	65.5	65.5
Concentration of Poverty School	48.5	64.5
Prekindergarten Supplemental	31.7	64.0
Early Childhood Expansion	0.0	45.7
Summer School Programming	0.0	25.0
Transitional Supplemental Instruction	23.0	23.0
Behavioral Health Programming	0.0	10.0
School Safety and Reopening	0.0	10.0
Declining Enrollment	0.0	7.6
Mental Health Services Coordinator	2.1	2.0
Teacher Collaborative	2.4	1.3
Unallocated Fiscal Year 2020 Expenditures	2.7	0.0
<b>Totals</b>	<b>\$250.9</b>	<b>\$393.6</b>

Source: Operating Budget Books

**Finding 1**

**The Maryland State Department of Education (MSDE) did not ensure LEAs used Blueprint for Maryland's Future funds in accordance with the purposes established by State law.**

**Analysis**

MSDE did not ensure LEAs used Blueprint funds in accordance with the purposes established by State law. Each LEA was required to submit an application for Blueprint funding that included a detailed budget on how the funds were to be used in accordance with the purposes established by State law. Our review disclosed that MSDE did not obtain and compare actual LEA expenditures to the LEA's application to ensure the funds were used according to the related applications. For example, the LEAs provided documentation in the applications, such as salary schedules for the Teacher Salary Incentive program, and budgeted positions for community school coordinators for the Concentration of Poverty program<sup>4</sup> to show intended uses of Blueprint funds. MSDE did not verify that the resultant actual salaries were consistent with the salary schedule amounts included in the application.

We conducted a limited test of the Teacher Salary Incentive program by judgmentally selecting 12 teachers with related annual salaries totaling approximately \$800,000 from three LEAs. Our test determined that the salaries paid during fiscal years 2020 and 2021 agreed to the related grant applications without exception. As noted in Figure 3, Blueprint grant expenditures totaled \$393.6 million during fiscal year 2021, including \$75 million for the Teacher Salary Incentive program.

**Recommendation 1**

**We recommend that MSDE**

- a. obtain adequate documentation from the LEAs to verify, at least on a test basis, the propriety of Blueprint related expenditures for fiscal years 2020 and 2021 and pursue recovery of any amounts that were not supported and consistent with the application; and**
- b. develop a policy to ensure future Blueprint funds are expended for the purposes established by State law (such as conducting an internal audit or engaging an independent accounting firm).**

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<sup>4</sup> The purposes of the Teacher Salary Incentive and the Concentration of Poverty grants are to provide funds to increase teacher salaries to improve recruitment and retention of high-quality teachers, and provide a community school coordinator and a health care professional at each school.

**Finding 2 (Policy Issue)**

**MSDE should consider establishing a monitoring process to ensure LEAs implemented appropriate corrective actions to address findings from our Office's financial management practices audit reports.**

**Analysis**

MSDE should consider establishing a monitoring process to ensure LEAs implemented appropriate corrective actions to address findings from our Office's financial management practices audit reports. In accordance with the requirements of the State Government Article, Section 2-1220(e) of the Annotated Code of Maryland, the Office of Legislative Audits (OLA) conducts an audit of the financial management practices of each LEA at least once every six years.<sup>5</sup> Our most recent audit reports of the 24 LEAs identified 318 findings, including 171 findings repeated from the respective preceding audit (see Exhibit 1). These findings related to various functional areas such as procurement and disbursements, transportation services, Board oversight and management, and human resources and payroll.

Our review disclosed that although MSDE can obtain copies of the LEA audit reports, it did not require LEAs to periodically report on the status of corrective actions. Consequently, MSDE lacked assurance that audit findings were appropriately addressed to ensure LEAs' policies, procedures, and controls were effective in accounting for and safeguarding assets, and provided for the efficient use of financial resources. In our opinion, MSDE obtaining periodic reports from LEAs on the status of corrective actions, coupled with the potential for limited verification, would help promote accountability and ensure audit findings are addressed. For example, MSDE could obtain and review pertinent documents to ensure the LEA implemented policies and procedures to satisfactorily address the findings.

Although State law does not require MSDE to monitor the corrective actions taken by the LEAs, the Education Article of the Annotated Code of Maryland, Section 5-111(a), provides that each local education board shall submit reports required by the State Board of Education and by the MSDE Superintendent. Legal counsel to the Maryland General Assembly advised us that such a report

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<sup>5</sup> Subject to the certain limitations, beginning in fiscal year 2017, a local school system shall be exempt from the audit requirement if the county governing body, the county board of education, and the county delegation to the Maryland General Assembly consisting of the county senators and delegates each submits a letter to the Joint Audit and Evaluation Committee requesting an exemption on or before November 1 of fiscal year 2017, or on or before November 1 of the last year of a 6-year audit cycle, as determined by the OLA. A local school system may not be exempt for two consecutive 6-year audit cycles.

could reasonably include periodic corrective actions of findings and recommendations contained in LEA audit reports.

## **Recommendation 2**

### **We recommend that MSDE**

- a. establish a monitoring process which requires periodic reports of corrective actions taken by the LEAs for findings noted in OLA financial management practices audit reports, as feasible;**
- b. consider implementing a limited verification of the corrective actions reported by the LEAs; and**
- c. document its review of the corrective actions and follow-up process to ensure that reasonable actions were taken by the LEAs to correct deficiencies noted.**

### **Background – Enrollment Audits of LEAs**

In accordance with State law, MSDE generally uses the self-reported student enrollment count from the LEAs to determine the total full-time equivalent enrollment for State aid for the next fiscal year. At the beginning of each school year, the LEAs submit electronic files of enrollment counts as of September 30<sup>th</sup> to MSDE in order to update enrollment data on MSDE's automated Web Data Collection System (WDCS). Based on system edits, MSDE generates reports from the WDCS of data errors and irregularities to be corrected by the LEA, or if deemed appropriate, overridden by MSDE, to finalize the data for use in calculating the State aid funding for the subsequent fiscal year.

According to State regulations, in order for a student to be properly enrolled, the LEA must have certain documentation on file (such as, residency, immunizations, and have recorded attendance at least one day in September). MSDE's Audit Office conducts enrollment audits of each of the State's 24 LEAs generally every two years. The audits include a review of the supporting documentation to ensure the students reported by the LEA were properly enrolled as of September 30<sup>th</sup>. These audits also include processes and eligibility requirements for other programs such as special education and transportation.



**Finding 3 (Policy Issue)**

**MSDE's enrollment audits did not incorporate certain procedures to ensure LEAs properly recorded and reported student attendance used to calculate State funding.**

**Analysis**

MSDE's enrollment audits did not incorporate certain procedures to ensure LEAs properly recorded and reported student attendance totals that were used to calculate State funding. Specifically, MSDE did not use a risk-based approach to determine which enrollment records to test, did not review controls over the LEA's processes to record student attendance, and did not conduct a comprehensive review to determine if errors noted during its audits were the result of potential systemic issues requiring corrective action at the LEAs.

**MSDE Did Not Use a Risk-Based Approach to Test Enrollment**

MSDE's Audit Office did not use available reports to help identify LEAs or specific schools within an LEA that may not be properly reporting enrollment. Rather, MSDE advised us that it selects a random non-statistical sample of student data for its enrollment audits. The test sample size, which ranged from 50 to 200 students per LEA, is subjectively determined by MSDE audit staff primarily based on a consideration of the LEA's student population.

We believe that MSDE's sample selection process was less likely to identify significant enrollment errors and precluded MSDE from projecting any errors to the total full-time equivalent enrollment that is used to determine State aid for the next fiscal year. Specifically, the most recent audits for the 24 LEAs identified 3 LEAs that had a total of 4 unsupported students enrolled in their schools, and MSDE recovered \$15,151 from the Foundation grant program<sup>6</sup> for those students. In addition, a further \$91,022 was recovered as a result of these audits from 13 LEAs for other programs, such as transportation. See Exhibit 2 for a summary of MSDE's most recent audits of its Foundation grant program (such as, enrollment, transportation, and special education).

In our opinion, a risk-based approach would enable MSDE to focus its testing on areas where there may be known or likely errors in the reported enrollment. For example, we identified two reports from WDCS that MSDE could use to select students for testing in areas with a potential risk that enrollment is overstated.

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<sup>6</sup> The Foundation grant is the major State Aid program for primary and secondary education, which estimates the amount of funding necessary to provide adequate resources to educate the average student.



### *Statistical Process Control Report (SPC)*

The SPC report identifies individual schools (as well as specific grades within those schools) that have fluctuations in student enrollment. Although not incorporated within the audit process, MSDE obtained explanations from the LEAs for large variances of enrollment compared to the five-year enrollment average; however, the explanations were not pursued for further investigation. For example, the SPC report for school year 2020-2021 for one LEA disclosed three instances (one instance at three different schools) where the reported enrollment was between 92-174 students higher than the five-year enrollment average for the grade at that school, representing an increase of up to 40 percent. The LEA's explanation for the increased enrollment was simply that enrollment increased at the grade level.

### *Attendance Error and Summary Report (AES)*

According to MSDE's *September Attendance Data Collection Manual*, the AES report is generated by the LEAs to ensure the accuracy of reported enrollment since it identifies potential errors in the enrollment data that may require subsequent correction. For example, the report identifies students recorded by more than one LEA, as well as inconsistent data, such as a student whose age does not appear proper for the grade. Therefore, if the report identifies a particular school with a high volume of errors, MSDE could specify this school as high risk when selecting its enrollment audit test samples. Our review of the report for September 2021 activity identified 218 potential errors. The report disclosed 84 of the 218 potential errors were students over the age of five that were enrolled in pre-kindergarten, of which 12 instances were from one school. Based on our review, MSDE does not have a specific process to obtain explanations from the LEAs or determine if the LEA corrected the error identified on the AES report.

The Maryland Office of the Inspector General for Education (OIGE) issued a report dated April 20, 2022 on MSDE's State Aid Enrollment Counts. Based primarily on an analysis of enrollment data, the OIGE report identified 2,973 students deemed eligible for State aid funding that did not meet the requirements in State regulations for attendance and enrollment. These students represented at least \$12.9 million in State and \$10.5 million in local funding over school years 2016-2017 through 2020-2021. The OIGE noted that the LEAs had self-reported over 92 percent (2,757) of these errors in subsequent reporting, and went on to state that MSDE did not identify or act on these discrepancies during the reporting process or during the State aid program audits completed.

The OIGE report made four recommendations to improve MSDE's oversight of enrollment counts including the use of a risk-based approach for determining the

frequency that an LEA is audited for student enrollment purposes and for selecting students for testing. In its written response, MSDE generally agreed with the OIGE recommendations. However, MSDE stated that it is not required by law to update or reconcile the student enrollment count as of September 30<sup>th</sup> after the data is submitted to the appropriate State entities for budget purposes on December 1<sup>st</sup> of each year.

#### MSDE Did Not Review LEA Controls Over Recording Attendance

MSDE's Audit Office did not determine if LEAs had an adequate process to record attendance in automated systems and assess if user access to the attendance records was properly controlled. In addition, MSDE did not assess the need for the LEAs to obtain an independent review of its student attendance system on a periodic basis.

#### MSDE Did Not Assess Errors for Corrective Action

MSDE did not conduct a comprehensive review to determine if errors noted during its audits, indicated by its system reports, or reported by LEAs were the result of potential systemic issues that required corrective action at the LEAs. For example, MSDE did not determine the underlying cause(s) of errors noted, determine if further testing was necessary, and make recommendations for corrective actions as appropriate.

### **Recommendation 3**

#### **We recommend that MSDE**

- a. as part of its non-statistical sampling, use available WDCS reports for enrollment audits to determine if schools have an increased risk of improper student enrollment reporting;**
- b. determine the need for an independent review of the automated attendance systems used by each LEA to ensure that sufficient controls exist over the attendance recordation process; and**
- c. determine if errors noted during enrollment audits or other third party audits or reviews are the result of potential systemic issues and make applicable recommendations for corrective actions to the LEAs.**

### **Information Systems Security and Control**

We determined that Findings 4 through 7 related to "cybersecurity", as defined by the State Finance and Procurement Article, Section 3A-301(b) of the Annotated Code of Maryland, and therefore are subject to redaction from the publicly available report in accordance with the State Government Article, Section 2-1224(i). Consequently, the specifics of the following findings, including the

analysis, related recommendations, along with MSDE's responses, have been redacted from this report copy.

**Finding 4**

**Redacted cybersecurity-related finding.**

**Finding 5**

**Redacted cybersecurity-related finding.**

**Finding 6**

**Redacted cybersecurity-related finding.**

**Finding 7**

**Redacted cybersecurity-related finding.**

## Monitoring of State Grants

### Finding 8

**MSDE did not always verify the accuracy of expenditure and performance data reported by grantees, and did not always conduct site visits of grantees.**

### Analysis

MSDE did not always verify the accuracy of expenditure and performance data reported by grantees, and did not always conduct site visits of grantees. According to its records, during fiscal year 2022, MSDE administered 37 State-funded grant programs with expenditures totaling \$76.4 million.<sup>7</sup> We tested 9 grant awards totaling \$14.4 million (generally selected based on dollar significance) associated with 3 grant programs with fiscal year 2021 expenditures totaling \$13.0 million (see Figure 4).

These grants, administered by three different MSDE divisions, were made to non-profit educational institutions to provide services to Maryland public school children, to a school for disadvantaged at-risk youth, and to local governments for a home visiting program that promotes health and development of families.

**Figure 4**  
**Summary of State-funded Grants Tested**  
**Fiscal Year 2021**  
**(Dollar amounts in millions)**

Grant Programs and Expenditures		Grants Tested		
		Count	Awards	Expenditures
School for At-Risk Youth	\$10.7	1	\$10.7	\$10.7
Services to Public School Children	5.4	4	2.0	2.0
Home Visit Program	4.4	4	1.7	0.3
<b>Totals</b>	<b>\$20.5</b>	<b>9</b>	<b>\$14.4</b>	<b>\$13.0</b>

Source: MSDE records

- MSDE did not obtain documentation to verify the performance data (such as, reports of attendance and graduation rates) reported by the grantees for any of the grants tested. In addition, MSDE did not obtain documentation to verify the accuracy of grant expenditures reported by grantees for the four services to public school children grants tested. Grantees were required to submit periodic expenditure and performance reports. This data is critical for ensuring the propriety of the grant expenditures and grantee compliance with grant performance requirements. As a result, assurance was lacking that required services were provided and grant funds were used in accordance with the related grant agreements.

<sup>7</sup> These expenditures exclude grants for which there were no specific grant deliverables, such as the Bridge to Excellence grants to local education agencies.

- MSDE’s policies and grant agreements did not always require grantee site visits (in-person or virtual visits during the COVID-19 pandemic health crisis). Consequently, MSDE did not perform site visits for seven of the nine grants tested with awards totaling \$13.3 million. Effective June 1, 2020 State regulations require an annual site visit for each nonprofit organization receiving grant funds for State-aided institutions grants, but not for the school for disadvantaged at-risk youth grants and grants to local governments. As identified in our office’s *State Grants* performance audit report dated November 10, 2021, site visits are considered a best practice of a comprehensive grant monitoring process, which can be used to ensure progress towards the goals of the grant-funded program. Furthermore, this best practice was confirmed by MSDE grant monitors, who advised us that virtual site visits were not always performed as they did not think it possible to assess all required areas as comprehensively as via an on-site visit.

Similar conditions regarding inadequate grant monitoring of these three grant programs was commented upon in our preceding audit report. In response to that report, MSDE indicated that they would establish procedures to verify the accuracy of the grantees’ self-reported expenditure and/or performance data of the grants tested by August 2019 and start conducting site visits in July 2019. As noted above, we noted that these efforts had not been established during our audit period.

**Recommendation 8**

**We recommend that MSDE**

- a. verify the accuracy of the grantee’s self-reported expenditure and performance data (repeat),**
- b. develop a policy for performing comprehensive documented site visits for all of its State-fund grant programs and ensure its grant agreements include a provision for site visits, and**
- c. perform documented site visits in accordance with the policy it establishes (repeat).**

## Purchases and Disbursements

### **Finding 9**

**MSDE did not always comply with State procurement regulations including documenting bid openings, retaining proposals, and publishing contract awards on *eMaryland Marketplace Advantage*.**

### **Analysis**

MSDE did not always comply with State procurement regulations including documenting bid openings, retaining procurement documentation, and publishing contract awards on *eMaryland Marketplace Advantage (eMMA)*.<sup>8</sup> Our test of five contracts procured between January 2018 and May 2021 (generally selected based on dollar significance), totaling approximately \$90.3 million, disclosed the following conditions.

- MSDE could not document that at least two State employees were present and witnessed the proposal openings for three of the five contracts procurements tested totaling \$89.1 million. In addition, MSDE was not able to provide all required procurement documentation, including technical and price proposals, and bid evaluations for these three procurements. For example, for one contract award totaling \$46.6 million MSDE indicated proposals were received from two vendors. MSDE was not able to provide the losing bidder's technical proposal or the price proposals from either vendor. As a result, we could not readily determine the propriety of these awards.
- MSDE did not publish four contract awards totaling \$43.6 million on *eMM/eMMA* as required State regulations. Publishing awards on *eMM/eMMA* provides potentially greater reach to the vendor community and improved transparency over State procurements including information about winning bidders and the amount of the related awards.

State procurement regulations require documentation that bids were opened with at least two employees present or publicly, and all critical procurement documentation, including technical and price proposals, and bid evaluations to be maintained in the procurement file. The regulations further require awards to be published on *eMMA* within 30 days after approval of the contract.

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<sup>8</sup> *eMaryland Marketplace Advantage (eMMA)* is an internet-based, interactive procurement system managed by the Department of General Services (DGS). Effective July 2019, DGS replaced *eMaryland Marketplace (eMM)* with *eMMA*.

**Recommendation 9**

**We recommend that MSDE comply with State procurement regulations.**

**Specifically, we recommend that MSDE**

- a. document bid openings by at least two employees;**
- b. retain all required procurement documentation, including technical and price proposals and bid evaluations; and**
- c. publish contract awards on *eMMA* as required.**

## **Audit Scope, Objectives, and Methodology**

We have conducted a fiscal compliance audit of the Maryland State Department of Education (MSDE) – Headquarters, Aid to Education, Funding for Educational Organizations, and Children’s Cabinet Interagency Fund for the period beginning January 1, 2018 and ending May 31, 2021. The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine MSDE’s financial transactions, records and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk. The areas addressed by the audit included monitoring Local Education Agencies, grants, federal funds, procurements and disbursements, budgetary closeout transactions, payroll, and information systems security and control. We also determined the status of seven of the eight findings in our preceding audit report.

Our audit also included certain support services (including payroll processing, purchasing, maintenance of accounting records, and related fiscal functions) provided by MSDE to its units or divisions. Our audit did not include an evaluation of internal controls over compliance with federal laws and regulations for federal financial assistance programs and an assessment of MSDE’s compliance with those laws and regulations because the State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies, including MSDE.

Our assessment of internal controls was based on agency procedures and controls in place at the time of our fieldwork. Our tests of transactions and other auditing procedures were generally focused on the transactions occurring during our audit period of January 1, 2018 to May 31, 2021, but may include transactions before or after this period as we considered necessary to achieve our audit objectives.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, tests of transactions,



and to the extent practicable, observations of MSDE operations. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk, the timing or dollar amount of the transaction, or the significance of the transaction to the area of operation reviewed. As a matter of course, we do not normally use sampling in our tests, so unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, unless sampling is specifically indicated in the finding, the results from any tests conducted or disclosed by us cannot be used to project those results to the entire population from which the test items were selected.

We performed various data extracts of pertinent information from the State's Financial Management Information System (such as revenue and expenditure data) and the State's Central Payroll Bureau (payroll data), as well as from the contractor administering the State's Corporate Purchasing Card Program (credit card activity). The extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine data reliability. We determined that the data extracted from these various sources were sufficiently reliable for the purposes the data were used during this audit.

We also extracted data from the Division of Rehabilitation Services' financial records for the purpose of testing certain areas such as payments made for consumers under individual plans for employment. We performed various tests of the relevant data and determined that the data were sufficiently reliable for the purposes the data were used during the audit. Finally, we performed other auditing procedures that we considered necessary to achieve our objectives. The reliability of data used in this report for background or informational purposes was not assessed.

MSDE's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records; effectiveness and efficiency of operations, including safeguarding of assets; and compliance with applicable laws, rules, and regulations are achieved. As provided in *Government Auditing Standards*, there are five components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. Each of the five components, when significant to the audit objectives, and as applicable to MSDE, were considered by us during the course of this audit.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

This report includes findings relating to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect MSDE's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our report also includes findings regarding significant instances of noncompliance with applicable laws, rules, or regulations. Finally, this report includes findings, which are identified as a "Policy Issue". Such findings represent significant operational or financial-related issues for which formal criteria may not necessarily exist and for which management has significant discretion in addressing, but the recommendation represents prudent and or practical actions, which we believe should be implemented by the agency to improve outcomes. Other less significant findings were communicated to MSDE that did not warrant inclusion in this report.

State Government Article Section 2-1224(i) requires that we redact in a manner consistent with auditing best practices any cybersecurity findings before a report is made available to the public. This results in the issuance of two different versions of an audit report that contains cybersecurity findings – a redacted version for the public and an unredacted version for government officials responsible for acting on our audit recommendations.

The State Finance and Procurement Article, Section 3A-301(b), states that cybersecurity is defined as "processes or capabilities wherein systems, communications, and information are protected and defended against damage, unauthorized use or modification, and exploitation". Based on that definition, and in our professional judgment, we concluded that certain findings in this report fall under that definition. Consequently, for the publicly available audit report all specifics as to the nature of cybersecurity findings and required corrective actions have been redacted. We have determined that such aforementioned practices, and government auditing standards, support the redaction of this information from the public audit report. The specifics of these cybersecurity findings have been

communicated to MSDE and those parties responsible for acting on our recommendations in an unredacted audit report.

MSDE's response to our findings and recommendations is included as an appendix to this report. Depending on the version of the audit report, responses to any cybersecurity findings may be redacted in accordance with State law. As prescribed in the State Government Article, Section 2- 1224 of the Annotated Code of Maryland, we will advise MSDE regarding the results of our review of its response.

## Exhibit 1

### Summary of Findings from OLA's Most Recent Financial Management Practices Audits of Local Education Agencies (LEA) as of September 2022

LEA	Most Recent OLA Audit Report Date	Number of Findings by Functional Area					Total Findings	Repeat Findings
		Procurement and Disbursements	Transportation Services	Board Oversight and Management	Human Resources and Payroll	Other Functional Areas		
Allegany	7/12/2021	4	2	0	1	4	11	6
Anne Arundel	10/24/2019	1	3	4	0	3	11	8
Baltimore City	10/17/2018	6	3	2	2	7	20	6
Baltimore	11/19/2020	4	1	1	1	4	11	5
Calvert	1/25/2022	2	1	1	1	4	9	6
Caroline*	11/2/2016	3	5	1	2	8	19	7
Carroll	5/16/2018	0	1	3	1	8	13	7
Cecil	7/26/2017	3	3	0	1	7	14	8
Charles	2/13/2017	4	3	2	1	5	15	6
Dorchester*	11/15/2017	3	4	3	1	8	19	10
Frederick	12/5/2019	0	2	0	0	1	3	1
Garrett*	11/18/2016	1	2	2	1	9	15	7
Harford	3/24/2021	2	2	1	1	6	12	8
Howard	10/17/2016	2	2	1	3	7	15	6
Kent	7/6/2020	2	0	2	1	2	7	6
Montgomery	9/29/2022	1	2	2	1	7	13	3
Prince George's	3/11/2019	2	2	0	4	11	19	14
Queen Anne's	8/1/2018	2	2	3	2	10	19	9
St. Mary's	5/17/2021	1	1	0	0	2	4	1
Somerset*	9/15/2014	3	2	2	2	7	16	11
Talbot*	7/17/2013	2	2	3	1	5	13	11
Washington	5/14/2019	1	3	1	1	7	13	8
Wicomico	10/8/2020	1	2	0	1	4	8	6
Worcester*	6/6/2017	4	4	3	1	7	19	11
<b>Totals</b>		<b>54</b>	<b>54</b>	<b>37</b>	<b>30</b>	<b>143</b>	<b>318</b>	<b>171</b>

Source: OLA Audit Reports and MSDE Records

\*In accordance with Chapter 261, 2016 Laws of Maryland, the LEA has obtained an exemption from one audit which extends the time until the next audit from 6 years to 12 years.

**Exhibit 2**  
**Summary of Selected Internal Audit Findings**  
**Reported by the MSDE Audit Office**

**Most Recent Audit (As of August 2021) of Each of the 24 Local Education Agencies (LEAs)**

LEA	Fiscal Year 2021 State Aid and Blueprint Funding (in millions)	Student Enrollment 2021	MSDE Audit Report Date	Sample Size (Foundation only, most recent year)	Foundation		Total Funding Recovered
					Unsupported Students	Funding Recovered	
Allegany	\$85.9	7,955	7/9/2021	50	0	\$0	\$0
Anne Arundel	401.3	82,486	3/17/2020	191	0	0	4,798
Baltimore City	890.9	73,533	4/10/2020	129	0	0	0
Baltimore	727.6	110,655	12/18/2019	191	2	7,509	10,101
Calvert	91.0	15,577	1/18/2021	50	0	0	3,427
Caroline	62.7	5,507	1/18/2021	50	0	0	7,459
Carroll	138.3	24,968	8/30/2021	50	0	0	5,096
Cecil	111.1	14,592	12/31/2019	51	0	0	4,323
Charles	199.3	26,579	2/26/2021	50	0	0	18,593
Dorchester	48.4	4,466	2/18/2020	50	0	0	0
Frederick	271.4	42,253	12/18/2019	53	0	0	0
Garrett	22.9	3,627	8/3/2021	50	0	0	0
Harford	226.5	37,407	2/26/2021	50	0	0	12,886
Howard	285.0	57,386	3/19/2021	71	0	0	3,243
Kent	9.5	1,800	8/8/2019	174	0	0	0
Montgomery	778.1	160,386	5/21/2021	200	1	2,331	10,629
Prince George's	1,243.2	130,580	5/22/2019	194	0	0	0
Queen Anne's	37.0	7,505	1/17/2020	52	0	0	0
St. Mary's	114.7	17,138	6/15/2021	25	0	0	11,424
Somerset	35.5	2,685	10/3/2019	179	0	0	0
Talbot	15.9	4,449	10/1/2019	184	0	0	3,564
Washington	195.7	21,830	12/18/2019	78	0	0	0
Wicomico	164.0	14,482	7/23/2021	50	1	5,311	10,630
Worcester	20.8	6,421	2/10/2020	50	0	0	0
<b>Totals</b>	<b>\$6,176.7</b>	<b>874,267</b>		<b>2,272</b>	<b>4</b>	<b>\$15,151</b>	<b>\$106,173</b>

Source: MSDE - Internal Audit Reports and MSDE Records





**Mohammed Choudhury**  
State Superintendent of Schools

January 4, 2023

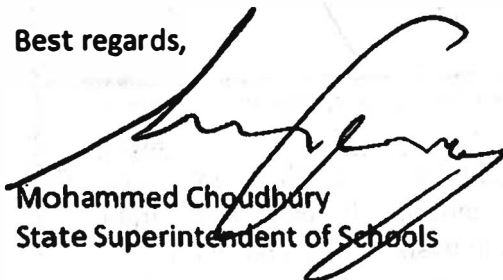
Mr. Gregory A. Hook, CPA  
Legislative Auditor  
Office of Legislative Audits  
The Warehouse at Camden Yards  
351 West Camden Street, Suite 400  
Baltimore, Maryland 21201

Dear Mr. Hook:

Enclosed please find the Maryland State Department of Education (MSDE) response to the Office of Legislative Audits report for the period beginning January 1, 2018, and ending May 31, 2021. We appreciate the efforts of your audit staff to help improve our controls and the cooperative relationship with your office.

Should you have any questions, please contact Ms. Channel Sumpter at 410-767-0104 or Mr. Richard McElroy at 410-767-8856.

Best regards,



Mohammed Choudhury  
State Superintendent of Schools

Enclosure

- c: Sylvia A. Lawson, Ph.D., Deputy Superintendent of Organizational Effectiveness
- Krishnanda Tallur, Deputy State Superintendent of Operations
- Deann Collins, Ed.D., Deputy Superintendent for Teaching and Learning
- Justin Dayhoff, Assistant State Superintendent of Financial Planning, Operations, and Strategy
- Channel Sumpter, Director of Audits
- Richard C. McElroy, Internal Audit Manager

# Maryland State Department of Education

## Agency Response Form

### Oversight and Monitoring of Local Education Agencies

#### **Finding 1**

**The Maryland State Department of Education (MSDE) did not ensure LEAs used Blueprint for Maryland's Future funds in accordance with the purposes established by State law.**

**We recommend that MSDE**

- a. obtain adequate documentation from the LEAs to verify, at least on a test basis, the propriety of Blueprint related expenditures for fiscal years 2020 and 2021 and pursue recovery of any amounts that were not supported and consistent with the application; and**
- b. develop a policy to ensure future Blueprint funds are expended for the purposes established by State law (such as conducting an internal audit or engaging an independent accounting firm).**

Agency Response			
<b>Analysis</b>			
<b>Please provide additional comments as deemed necessary.</b>			
<b>Recommendation 1a</b>	Agree	<b>Estimated Completion Date:</b>	December 2023
<b>Please provide details of corrective action or explain disagreement.</b>	MSDE will engage an independent audit firm to test the propriety of FY 2020 and FY 2021 Blueprint grant expenditures for each of the grant programs listed in Figure 3, on a sample basis. The Department estimates that the independent audit will be completed by the end of the calendar year 2023 at which time MSDE will pursue recovery of any amounts that were not supported and consistent with the grant application.		
<b>Recommendation 1b</b>	Agree	<b>Estimated Completion Date:</b>	December 2023
<b>Please provide details of corrective action or explain disagreement.</b>	MSDE is currently implementing a new Statewide Finance and Data System that will allow the Department to meet the reporting requirements of Education Article 5-234 and 5-406, which requires a Local Education Agency (LEA) to report actual school level expenditures to MSDE and the Accountability and Implementation Board. The new Statewide Finance and Data System will maintain		



# Maryland State Department of Education

## Agency Response Form

	<p>detailed budget data, spending data, and student information data from LEAs that is required by the Blueprint for Maryland's Future.</p> <p>MSDE will develop a policy to ensure that future Blueprint funds are expended for the purposes established by State law, utilizing the above reporting system to test, on a sample basis, reported spending data provided by the LEAs. MSDE's Office of Audits will also create audit programs to perform testing on a sample basis of certain Blueprint grants beginning with the FY 2023 state aid audits of LEAs. The estimated completion date for the policy and full implementation is December 2023.</p>
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# Maryland State Department of Education

## Agency Response Form

**Finding 2 (Policy Issue)**

**MSDE should consider establishing a monitoring process to ensure LEAs implemented appropriate corrective actions to address findings from our Office’s financial management practices audit reports.**

**We recommend that MSDE**

- a. establish a monitoring process which requires periodic reports of corrective actions taken by the LEAs for findings noted in OLA financial management practices audit reports, as feasible;**
- b. consider implementing a limited verification of the corrective actions reported by the LEAs; and**
- c. document its review of the corrective actions and follow-up process to ensure that reasonable actions were taken by the LEAs to correct deficiencies noted.**

Agency Response	
<b>Analysis</b>	
<b>Please provide additional comments as deemed necessary.</b>	<p>MSDE would like to provide additional comments regarding this finding. As the Office of Legislative Audits (OLA) noted, State law does not require MSDE to monitor the corrective actions taken by the LEAs in response to OLA audit reports. MSDE does not have express authority over the enforcement of LEA’s corrective actions to OLA audits. The responsibility lies with the local board of education and the local school superintendent who oversees the LEA’s daily operations and financial management practices.</p> <p>It should be noted that the OLA already performs follow up on prior audit findings during their financial management audits of LEAs. According to State Government Article, 2-1224(g)(7)(iii), the Legislative Auditor shall advise the Joint Audit and Evaluation Committee when a local school system has not taken the action the local school system indicated in its response to a recommendation. The OLA can also require any unit that has 5 or more repeat audit findings to report on corrective actions taken within 9 months of the audit report being issued, according to State Government Article, 2-1224(h)(2).</p> <p>Although the OLA advised MSDE that State Government Article, 2-1224(h)(2) does not apply to their audits of local school system, State Government Article, 2-1220(e)(5), states that the Joint Audit and Evaluation Committee may direct the Office of Legislative Audits to</p>

# Maryland State Department of Education

## Agency Response Form

	conduct an audit of a local school system at any time, which could include a follow-up to a LEA's reported corrective action or a follow-up audit on repeat findings.		
<b>Recommendation 2a</b>	Agree	<b>Estimated Completion Date:</b>	May 31, 2023
<b>Please provide details of corrective action or explain disagreement.</b>	MSDE agrees to consider establishing a monitoring process which requires periodic reports of corrective actions taken by the LEAs for findings noted in OLA audit reports. MSDE will consult with legal counsel and the State Board to determine the appropriateness and feasibility of legally requiring periodic reports of the LEAs corrective actions taken in response to OLA audit reports.		
<b>Recommendation 2b</b>	Agree	<b>Estimated Completion Date:</b>	May 31, 2023
<b>Please provide details of corrective action or explain disagreement.</b>	If a determination is made to require periodic reports from LEAs as noted in Recommendation 2a, MSDE will consider implementing a limited verification of the corrective actions reported by the LEAs.		
<b>Recommendation 2c</b>	Agree	<b>Estimated Completion Date:</b>	May 31, 2023
<b>Please provide details of corrective action or explain disagreement.</b>	If a determination is made to require periodic reports from LEAs as noted in Recommendation 2a, MSDE will document its review of the corrective actions and follow-up process to ensure that reasonable actions were taken by the LEAs to correct deficiencies noted.		

**Auditor's Comment:** MSDE's response reflects agreement with our recommendations pending consultation with its legal counsel and State Board. We appreciate MSDE's willingness to implement our recommendations, while acknowledging that the State Government Article, 2-1220(e)(5) provides our Office and the Joint Audit and Evaluation Committee (JAEC) with the authority to audit LEAs. We remain convinced that our LEA audits conducted every six years (or twelve years if an exemption is granted by the JAEC) in conjunction with MSDE's agreed upon enhanced efforts during the interim periods will result in improved accountability over State education funding.

# Maryland State Department of Education

## Agency Response Form

**Finding 3 (Policy Issue)**

**MSDE’s enrollment audits did not incorporate certain procedures to ensure LEAs properly recorded and reported student attendance used to calculate State funding.**

**We recommend that MSDE**

- a. as part of its non-statistical sampling, use available WDCS reports for enrollment audits to determine if schools have an increased risk of improper student enrollment reporting;**
- b. determine the need for an independent review of the automated attendance systems used by each LEA to ensure that sufficient controls exist over the attendance recordation process; and**
- c. determine if errors noted during enrollment audits or other third party audits or reviews are the result of potential systemic issues and make applicable recommendations for corrective actions to the LEAs.**

Agency Response			
<b>Analysis</b>			
<b>Please provide additional comments as deemed necessary.</b>	<p>MSDE would like to provide some additional clarification. The Attendance Error and Summary Report report identifies warning errors in the Web Data Collection System application including verification when a student’s date of birth and age is over the age of five and in Pre-K. These warnings are potential errors that assist the LEA in verifying their data submissions. Students may be in Pre-K and over the age of five in accordance with COMAR 13A.08.01.02-2. Parents or legal guardians may submit a one-year level of maturity waiver for a kindergarten-age child if they believe that a delay in kindergarten attendance is in the best interest of their child.</p> <p>In addition, MSDE requires that LEAs adhere to capturing all attendance data elements as identified and defined in the Maryland Student Records System Manual (2020). Each LEA is responsible for developing and implementing procedures and controls to ensure that these data are collected, and records are maintained accurately in accordance with the guidelines set forth in the manual.</p>		
<b>Recommendation 3a</b>	Agree	<b>Estimated Completion Date:</b>	Commenced September 2022

# Maryland State Department of Education

## Agency Response Form

<p><b>Please provide details of corrective action or explain disagreement.</b></p>	<p>MSDE agrees to use available WDCS reports, or other analytical data provided by the OPRA for the purpose of identifying LEAs and schools, where appropriate, that have an increased risk of student enrollment reporting errors. If the WDCS reports utilized during the audit planning of LEA enrollment audits, identifies a high volume of errors have occurred at a particular school, the MSDE Office of Audits will consider selecting a judgmental sample from those schools for testing.</p>		
<p><b>Recommendation 3b</b></p>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; border-right: 1px solid black; padding: 2px 5px;">Agree</td> <td style="padding: 2px 5px;"><b>Estimated Completion Date:</b> January 2023</td> </tr> </table>	Agree	<b>Estimated Completion Date:</b> January 2023
Agree	<b>Estimated Completion Date:</b> January 2023		
<p><b>Please provide details of corrective action or explain disagreement.</b></p>	<p>MSDE's data collection from the LEAs includes data system checks and error reporting, which helps to ensure the accuracy of the data collected and has resulted in a significantly low error rate. Based on the number of students identified in the Maryland Office of the Inspector General for Education (OIGE) report as ineligible for funding over the five-year period, MSDE had greater than 99.9% accuracy of reporting for state aid funding.</p> <p>In addition, the OPRA has implemented additional error checks as part of the Early and End-of-Year Attendance data collections to ensure accurate reporting by the LEAs across the academic year. These additional error checks will be performed annually beginning in spring 2023.</p> <p>Given the accuracy of the data and the additional error checks implemented as part of the Early and End of Year Attendance data collections, MSDE has determined that an independent review of the LEAs attendance systems is not warranted. MSDE will continue to monitor data quality for future determinations.</p>		

**Auditor's Comment:** In response to recommendation 3b, MSDE indicates that the OIGE report stated that MSDE had greater than 99.9% accuracy of reporting (enrollment) for state aid funding. We understand that the OIGE did not make this statement in its report, but it was provided by MSDE in its response to the OIGE report, and was subject to clarification by the OIGE which appeared to refute MSDE's conclusion. Regardless, due to the significant amount of funding that is based on student enrollment, OLA continues to believe that MSDE should ensure that sufficient controls exist over the automated attendance recordation process at each LEA.

# Maryland State Department of Education

## Agency Response Form

<b>Recommendation 3c</b>	Agree	<b>Estimated Completion Date:</b>	Annually and during data collection periods
<b>Please provide details of corrective action or explain disagreement.</b>	MSDE Office of Audits will continue to determine the cause of errors noted during enrollment audits performed by the Office of Audits and make applicable recommendations to the LEAs for corrective actions. Enrollment errors noted as a result of third party audits or reviews will be examined to determine any appropriate follow up by the Department. The OPRA will continue to perform its data error checks during the September, Early and End-of-Year Attendance data collections. Any errors self-identified by LEAs will be documented and forwarded to the Office of Audits and the Office of Financial Planning, Operations and Strategy for possible recovery of funds.		

# Maryland State Department of Education

## Agency Response Form

### Information Systems Security and Control

The Office of Legislative Audits (OLA) has determined that Findings 4 through 7 related to “cybersecurity”, as defined by the State Finance and Procurement Article, Section 3A-301(b) of the Annotated Code of Maryland, and therefore are subject to redaction from the publicly available audit report in accordance with State Government article 2-1224(i). Although the specifics of the findings, including the analysis, related recommendations, along with MSDE’s responses, have been redacted from this report copy, MSDE’s responses indicated agreement with the findings and recommendations.

#### **Finding 4**

**Redacted cybersecurity-related finding.**

**Agency Response has been redacted by OLA.**

#### **Finding 5**

**Redacted cybersecurity-related finding.**

**Agency Response has been redacted by OLA.**

#### **Finding 6**

**Redacted cybersecurity-related finding.**

**Agency Response has been redacted by OLA.**

#### **Finding 7**

**Redacted cybersecurity-related finding.**

**Agency Response has been redacted by OLA.**



# Maryland State Department of Education

## Agency Response Form

### Monitoring of State Grants

#### Finding 8

**MSDE did not always verify the accuracy of expenditure and performance data reported by grantees, and did not always conduct site visits of grantees.**

**We recommend that MSDE**

- a. verify the accuracy of the grantee's self-reported expenditure and performance data (repeat),**
- b. develop a policy for performing comprehensive documented site visits for all of its State-fund grant programs and ensure its grant agreements include a provision for site visits, and**
- c. perform documented site visits in accordance with the policy it establishes (repeat).**

<b>Agency Response</b>			
<b>Analysis</b>			
<b>Please provide additional comments as deemed necessary.</b>			
<b>Recommendation 8a</b>	Agree	<b>Estimated Completion Date:</b>	See below
<b>Please provide details of corrective action or explain disagreement.</b>	<p><b>State Aided Institutions (SAI)</b>  <b>Completion Date: September 1, 2022</b>                      To increase monitoring and verify the accuracy of grantee expenditures, MSDE will update the language on the grant agreement to include submission of receipts with quarterly invoices. The updated grant agreement will also include additional verification steps during the annual site visit to include program rosters, school confirmation letters, and other data to verify service delivery as reported.</p> <p><b>School for At Risk Youth</b>  <b>Estimated Completion Date: September 30, 2023</b>                      As recommended, the SEED program manager will verify the accuracy of expenditure and performance data required to be reported per the contract by the grantee. This verification, which will be performed on a sample basis during the annual March site visit, will be documented in a monitoring tool. Reported expenditure and performance data will be verified by comparing the official data collected to the official data contained in the Maryland Accountability system or to the student file</p>		

# Maryland State Department of Education

## Agency Response Form

	<p>documentation during the annual monitoring site visit. Any discrepancies noted will be discussed and resolved with SEED school personnel and documentation will be created and retained.</p> <p><b>Home Visit Program</b>  <b>Completion Date: August 1, 2022</b>                  The “State Fund Administration – Home Visiting /Healthy Families” section of the MSDE, DEI/SES Resource Management and Monitoring Branch Standard Operating Procedures (SOP) Guide was amended to require verification of a sample of grantee’s self-reported performance data during the annual site visits and documentation will be created regarding this verification. Item 2 of the Subrecipient Grants Monitoring Instrument has been modified to reflect the prior mentioned requirement.</p>		
<b>Recommendation 8b</b>	Agree	<b>Estimated Completion Date:</b>	April 2023
<b>Please provide details of corrective action or explain disagreement.</b>	<p>MSDE has developed a policy regarding comprehensive site visits for all State-funded grant programs. Program monitoring for all State-funded grant programs shall include an annual onsite review or virtual site visit to ascertain effective program management and educational programming for students. While the Department will conduct annual site visits (onsite or virtual), not all state grant subrecipients such as LEAs will have a site visit due to the size and scope of many state-funded grant programs, like the Blueprint State Aid programs. Grant agreements and the Notice of Grant Award (NOGA) will include the grant monitoring and reporting requirements, including site visits. These changes will go into effect from FY 2023 onward.</p>		
<b>Recommendation 8c</b>	Agree	<b>Estimated Completion Date:</b>	See below
<b>Please provide details of corrective action or explain disagreement.</b>	<p>MSDE program managers will perform documented site visits in accordance with the Department’s policy and specific grant agreements.</p>		

# Maryland State Department of Education

## Agency Response Form

### Purchases and Disbursements

**Finding 9**

**MSDE did not always comply with State procurement regulations including documenting bid openings, retaining proposals, and publishing contract awards on *eMaryland Marketplace Advantage*.**

**We recommend that MSDE comply with State procurement regulations. Specifically, we recommend that MSDE**

- a. document bid openings by at least two employees;**
- b. retain all required procurement documentation, including technical and price proposals and bid evaluations; and**
- c. publish contract awards on *eMMA* as required.**

Agency Response			
<b>Analysis</b>			
<b>Please provide additional comments as deemed necessary.</b>			
<b>Recommendation 9a</b>	Agree	<b>Estimated Completion Date:</b>	Completed August 1, 2022
<b>Please provide details of corrective action or explain disagreement.</b>	The Office of Procurement and Contract Management (OPCM) staff has implemented a new process to ensure that two State employees are present, and witness bid proposal openings. In this regard, the OPCM staff will create an automated calendar invite for each procurement bid opening and ensure that at least two (2) State employees are included on the calendar invite. A bid tab form will then be generated, reviewed, and signed by both State employees, in order to accurately document results, time and date of the bid opening. The bid tab will be scanned and remain a part of the procurement file.		
<b>Recommendation 9b</b>	Agree	<b>Estimated Completion Date:</b>	Completed August 1, 2022
<b>Please provide details of corrective action or explain disagreement.</b>	The OPCM has developed and implemented a new procurement file checklist that each OPCM staff member will be required to use to ensure that all procurement documentation per Section 1.5.3 of the Maryland Procurement Manual, which includes the technical and price proposals,		

# Maryland State Department of Education

## Agency Response Form

	and bid evaluation, is retained in the procurement file and that no documents are missing. This checklist is to be completed by the date when the Notice to Proceed authorization is received from State Procurement.		
<b>Recommendation 9c</b>	Agree	<b>Estimated Completion Date:</b>	Completed August 1, 2022
<b>Please provide details of corrective action or explain disagreement.</b>	In the future, the OPCM will publish contract awards on eMMA as required by the Maryland Procurement Manual. To accomplish this, as discussed in the response to Recommendation b., a new procurement file checklist was created that includes a field that documents the posting of the award in eMMA. Again, this checklist is to be completed by the date when the Notice to Proceed authorization is received from State Procurement.		

AUDIT TEAM

**Mark S. Hagenbuch, CPA**  
Audit Manager

**R. Brendan Coffey, CPA, CISA**  
**Edwin L. Paul, CPA, CISA**  
Information Systems Audit Managers

**James M. Fowler, CFE**  
Senior Auditor

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**Vickey K. Micah**  
**Charles O. Price**  
**Malcolm J. Woodard**  
Information Systems Staff Auditors

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MARYLAND OFFICE OF THE  
INSPECTOR GENERAL FOR EDUCATION

Richard P. Henry  
*Inspector General*

Douglas H. Roloff, III  
*Deputy Inspector General*

April 20, 2022

**MEMORADUM**

To: Mr. Mohammed Choudhury  
State Superintendent of Schools  
Maryland State Department of Education  
200 W. Baltimore Street  
Baltimore, Maryland 21201

RE: Investigative Audit of Maryland State Department of Education's State Aid Student Enrollment Reporting (OIGE Case: 22-0001-A)

The Maryland Office of the Inspector General for Education (OIGE) has completed an investigative audit of the accuracy of state aid student enrollment reporting provided by school systems to the Maryland State Department of Education (MSDE). The investigative audit results and recommendations are included in the attached final report.

The OIGE provided a draft report to MSDE on March 17, 2022. The State Superintendent of Schools provided responses to the report's recommendations on April 18, 2022. The responses are included as Appendix A to this report and indicate MSDE's concurrence with five of the six recommendations.

This report details the findings and recommendations of the OIGE, Office of Investigative Audit division. Please contact Mr. Dan Reagan, CPA, Supervisory Inspector General at (443) 721-4889 or by email at [dan.reagan@maryland.gov](mailto:dan.reagan@maryland.gov) if you have any additional questions or concerns.

Respectfully,

Richard P. Henry  
Inspector General

Enclosures

cc: The Honorable Lawrence J. Hogan  
Governor – State of Maryland

The Honorable William C. Ferguson IV  
President – Maryland Senate

The Honorable Adrienne A. Jones  
Speaker – Maryland House of Delegates

Mr. Clarence C. Crawford  
President, Maryland State Board of Education

Dr. Sonja Santelises, Ed.D.  
Chief Executive Officer, Baltimore City Public Schools

Mr. W. David Bromwell,  
Superintendent, Dorchester County Public Schools

Dr. Monica Goldson, Ed.D.  
Chief Executive Officer, Prince George's County Public Schools

Dr. Kelly Griffith, Ed.D.  
Superintendent, Talbot County Public Schools





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**Office of the  
Inspector General  
for Education**  
State of Maryland

**Richard P. Henry**  
Inspector General

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**Investigative Audit 22-0001-A**

**Maryland State Department  
of Education**

**State Aid Enrollment Counts**

**Final Report**

April 20, 2022

# ***Executive Summary***

## ***Investigative Audit of Maryland State Department of Education's State Aid Enrollment Counts***

### ***Objective:***

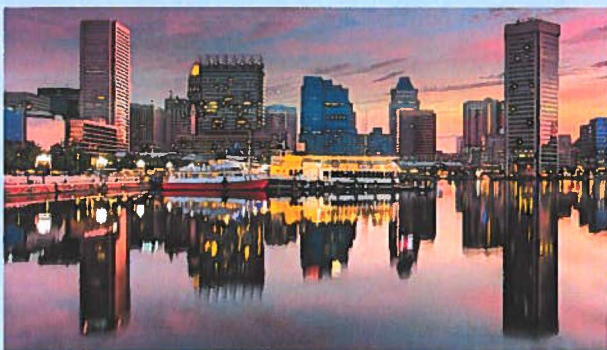
To determine whether students deemed eligible for state aid funding met Code of Maryland Regulations (COMAR) requirements for attendance and enrollment.

### ***Scope:***

School Years 2016-17 through 2020-21

### ***Findings and Recommendations:***

The report contains four findings and six recommendations to assist the Maryland State Department of Education (MSDE) in improving their ability to ensure accuracy of state aid enrollment counts provided by LEAs (Local Education Agencies). MSDE has concurred with five of the six recommendations.



### ***Results in Brief:***

OIGE discovered **2,973** instances of students who were deemed eligible for state funding but did not meet the attendance or enrollment requirements in COMAR. **995** of these students had no documented attendance at any point during the year.

Despite the noted discrepancies representing only a small percentage of the overall enrollment counts for Maryland schools, they represent at least **\$23.4 million** (\$12.9M state, \$10.5M local) in funding that was misallocated to LEAs over the five-year period reviewed. Further, systemic issues identified at selected schools indicate that additional discrepancies likely exist.

Over **92% (2,757)** of the discrepancies were self-reported by LEAs to MSDE in subsequent reporting. However, MSDE did not identify or act on these discrepancies during the reporting process or during the state aid program audits completed.

An established grant adjustment process for self-reported discrepancies and improved audit methodologies would ensure that further funds are not misallocated as school funding is increased through the Maryland Blueprint for the Future legislation beginning in Fiscal Year 2023.

Maryland Code, Education Article §9.10, establishes the Office of the Inspector General for Education to provide a central point for coordination of, and responsibility for activities that promote educational accountability, integrity, and efficiency in government.

The Maryland Office of the Inspector General for Education is an independent entity within the government of the State of Maryland. The office is responsible for examining and investigating the management and affairs of county education boards, local school systems, public schools, and nonpublic schools that receive state funding to determine if established policies and procedures comply with federal and state laws.

The OIGE operates a Hotline so anyone can easily report allegations of fraud, waste, abuse, or financial misconduct occurring within the State. The OIGE receives numerous reports from concerned employees, vendors, and the public, most of which are either investigated by the OIGE or referred to local school system administrators for investigation and disposition. To report educational fraud, waste, or abuse, call 1-844-OIGETIP or e-mail [oige.tips@maryland.gov](mailto:oige.tips@maryland.gov).

# Investigative Audit of Maryland State Department of Education's State Aid Enrollment Counts

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# Investigative Audit of Maryland State Department of Education's State Aid Enrollment Counts

## Background

On April 9, 2021, the Maryland Public Policy Institute formally requested the Office of the Inspector General for Education (OIGE) to investigate potential enrollment irregularities as it pertained to state aid funding at Baltimore City Public Schools. After a review of publicly available enrollment figures, OIGE determined that a statewide investigative audit would best address the risk of enrollment irregularities as it pertained to state aid funding.

The Maryland State Department of Education (MSDE) is required to obtain records of all students enrolled in Maryland public schools. This information is used to determine state aid eligible students and the amount of state aid to be distributed to local school systems. State financial assistance to the 24 public school systems in Maryland is made through the Foundation Program, and targeted student grants for Compensatory Education, Limited English Proficiency, Special Education, and Disabled Student Transportation.

## *Foundation Program*

The Foundation Program is the major state general education aid program for public schools, accounting for nearly half of state education aid. Prior to FY23, the total state and local cost of the foundational program was determined annually through a detailed formula codified by the Bridge to Excellence in Public Schools legislation<sup>1</sup>. The formula incorporated local economic indicators as well as an annual student enrollment count.

Each school year, MSDE's Division of Assessment, Accountability, and Information Technology (DAAIT) collects student information as of September 30 from Local Educational Agencies (LEAs) to determine the student enrollment count. Data from each LEA's student information system is submitted to MSDE through a Web Data Collection System.

LEAs are required to report a State Aid Eligibility Code for each student. Code 01 is titled "Eligible for State Aid" and the remaining codes are classifications of ineligibility. DAAIT works with LEAs to reconcile, correct, and update the information submitted and to verify accuracy of the Eligibility Codes. Eligibility for State Aid is determined by requirements listed in Code of Maryland Regulations (COMAR) 13A.02.06.03. Regarding attendance and enrollment, a student must be present at least 1 day in September and have not been determined to have withdrawn on or before September 30 to be classified under Code 01.

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<sup>1</sup> A full explanation of funding formulas can be found at Appendix J of the Department of Legislative Services' Fiscal and Policy Note for House Bill 1300.



# Investigative Audit of Maryland State Department of Education's State Aid Enrollment Counts

When the reconciliation process is completed, each LEA Superintendent takes accountability for the accuracy of the final enrollment count by signing a Verification of Enrollment Count.

## ***Attendance Requirements for LEAs***

LEAs are responsible for maintaining attendance records in compliance with the Maryland Student Records Systems Manual, which is codified in COMAR. A student is "present" if the student is attending an instructional program approved by the State, local school system, and/or school. If a student is not participating in an approved instructional program, they are considered "absent" and school systems are required to record an absence code indicating whether the absence is lawful or unlawful.

## ***Withdrawal Requirements for LEAs***

The Maryland Student Records Systems Manual provides specific requirements for the dating of student withdrawals. For students who do not attend school, the withdrawal should be dated as of the first day of that school year, July 1. For exits during the school year, the withdrawal date is the date of the first school day after the last day of attendance.

## ***Targeted Student Grants***

The Limited English Proficiency, and Special Education funding formulas prior to FY23 were also laid out in the Bridge to Excellence in Public Schools legislation. Like the Foundation Program formula, they include local economic indicators and a count of eligible students provided to MSDE from each LEA.

COMAR 13A.02.06 also details attendance and enrollment requirements for students to be deemed eligible for funding under the targeted grants. See Exhibit A.

### **Exhibit A:**

<b>Grant</b>	<b>Requirement</b>
<b>Limited English Proficiency</b>	Enrolled in a public school in a local school system and receiving English language acquisition services through a local school system on October 31 of the prior fiscal year.
<b>Special Education</b>	Enrolled in a public school in a local school system or an education program operated by the State and receiving special education services on October 1 of the prior fiscal year.

DAAIT and other MSDE program offices provide reconciled enrollment figures to MSDE's Office of Policy and Fiscal Analysis who input them into the funding formula to determine the total local and state costs for all components of state aid for the following

# Investigative Audit of Maryland State Department of Education's State Aid Enrollment Counts

year. The cost determination is forwarded to the Department of Budget and Management for the inclusion in state budget proposals presented to the General Assembly. Once finalized, MSDE disburses 12 equal monthly payments to LEAs beginning in July of the following year.

## ***Subsequent Reporting from LEAs***

To increase accountability and ensure that continuous records are kept for each student throughout the year, MSDE also requires that LEAs submit student information as of a chosen date in March and June each year. The subsequent collections are referred to as the "Early" and "End of Year" Attendance Collections (subsequent reporting) and include each students' entrance and exit information, as well as their attendance totals from the beginning of the school year through the date of the collection.

## **Objectives**

The objective of the investigative audit was to determine whether students deemed eligible for state aid met the COMAR requirements for attendance and enrollment.

## **Scope**

The scope of the investigative audit was students reported by LEAs as eligible for state aid (Code 01) for the school years 2016-17 through 2020-21.

## **Methodology**

To accomplish the objective, OIGE conducted interviews with key personnel to determine how LEAs report enrollment figures and how MSDE offices collect and process the figures to determine funding amounts. In addition, OIGE conducted data analysis of all enrollment and attendance data reported by LEAs to MSDE for school years 2016-17 through 2020-21.

## **Related OIGE Reports**

In addition to this state-wide review, OIGE conducted four concurrent local investigative audits of individual LEAs' processes regarding state aid enrollment counts:

21-0003-A Talbot County Public Schools

21-0004-A Dorchester County Public Schools

21-0005-A Baltimore City Public Schools

21-0006-A Prince George's County Public Schools

Selections were made in order to review both large and small LEAs. Reports for these investigative audits will be published at [oige.maryland.gov/reports](https://oige.maryland.gov/reports).



# Investigative Audit of Maryland State Department of Education's State Aid Enrollment Counts

## Audit Results and Recommendations

The following issues were noted during the investigative audit:

### **Finding 1: MSDE Has Not Detected and Remedied Enrollment Discrepancies Self-Reported by LEAs**

The subsequent reporting from the 24 LEAs for the period 2016-17 through 2020-21 indicate **2,757** students classified as Code 01 during the September Attendance Collection had not met COMAR attendance or enrollment requirements for the foundational program. These students fall into two categories:

1) *No Attendance as of September 30*

**1,949** students did not have a recorded date of attendance on or before September 30. **995** of those 1,949 students did not have any recorded attendance during the school year.

*NOTE: The draft version of this report indicated 2,420 students without a recorded date of attendance on or before September 30<sup>th</sup>. However, after the investigative audit fieldwork and draft report, Prince George's County Public Schools (PGCPS) discovered an error within their student information system that had resulted in incorrect attendance information being provided to MSDE in subsequent reporting. On April 19, 2022, PGCPS provided new evidence that 471 students included in the draft report had at least one day of attendance on or before September 30<sup>th</sup>. OIGE has updated all relevant figures in the final report. As a result of OIGE's work, PGCPS has rectified the error in their student information system.*

2) *Withdrawn as of September 30*

**808** students who attended school in September had withdrawal dates on or before September 30. **713** of the 808 students did not re-enter school at any point during the year. The remaining 95 students re-entered November 1 or later.

The ineligible students funded by state aid were concentrated at three LEAs but were consistent throughout the period reviewed. See Exhibits B & C.

**Exhibit B:**

LEA	Number of Ineligible Students	% of Total
Montgomery County Public Schools	1,204	43.7%
Baltimore City Public Schools	875	31.7%
Prince George's County Public Schools	212	7.7%
All Other School Systems	466	16.9%
<b>Total</b>	<b>2,757</b>	

# Investigative Audit of Maryland State Department of Education's State Aid Enrollment Counts

## Exhibit C:

School Year	Number of Ineligible Students
2016-2017	615
2017-2018	535
2018-2019	557
2019-2020	394
2020-2021	656
<b>Total</b>	<b>2,757</b>

A detailed review of attendance and enrollment records for the 2,757 students indicated that **357** students were incorrectly deemed eligible for the Limited English Proficiency Grant and **391** students were incorrectly deemed eligible for the Special Education Grant. These students were not attending school to receive English language acquisition services or special education services as of the days required by COMAR to be eligible.

For each of the three attendance collections throughout the year, the MSDE DAAIT Office provides LEAs with a detailed Data Collection Manual. The annual Early and End of Year Attendance Collection Manuals indicate specific guidance for self-reporting students who did not attend school in September. It states that these exceptions will be reported to the MSDE Audit Office. See page 6 of the 2020-2021 End of Year Attendance Data Collection Manual:

**...was incorrectly reported in September Attendance?**

This pertains to a student who was reported in September Attendance and was later discovered to have exited prior to the first day of school. This student should have been reported as a summer exit in September Attendance. In order to correct the error, the records has to be adjusted in early and EOY Attendance. Early and EOY Attendance does not allow summer exits so the record must be adjusted to match the reporting requirements for early and EOY Attendance. See the example below for how to correct the record.

**NOTE:** Correcting the record will still trip a validation error (E23). Corrected summer exits in Early Attendance should be Included in the EOY Attendance files. These records are audit exception and will be provided to the MSDE Audit Office.

	Entry	Entry Date	Days Attending	Days Absent	Days not Belonging	Exit	Exit Date
<b>Error Record: September Attendance</b>	R02	2020/08/26	20.0	0.0	20.0	000	00000000
<b>Correct Record: September Attendance</b>	000	00000000	0.0	0.0	180.0 (school days open)	W50 (dropout) OR T14 (Transfer)	2020/07/01
<b>Adjusted Record to Fix Error Record: Early and EOY Attendance</b>	R02	2020/08/26	0.0	0.0	180.0 (school days open)	W50	The date the error was discovered.

**826** of the 2,757 records identified above were coded precisely as instructed in the Data Collection Manuals by the LEAs. However, the MSDE DAAIT Office has not reported

# Investigative Audit of Maryland State Department of Education's State Aid Enrollment Counts

any of these discrepancies to the MSDE Audit Office, or any external entity for investigation or funding adjustment/recovery.

DAAIT officials stated that the primary objective of the subsequent reporting is for attendance collection, and not for state aid funding requirements. Despite the language in their Collection Manuals and instructions for identifiable coding, they stated that they do not have the resources to mine the subsequent reporting for discrepancies.

OIGE obtained the funding formula worksheets from MSDE's Office of Policy and Fiscal Analysis and removed the above students from the enrollment count in each applicable funding formula from 2016-17 through 2020-21 to determine the total financial impact of these discrepancies. In total, **\$11,677,864** of state funds were misallocated to school systems over the five years reviewed. In addition, the local funding requirement for the foundational program was overstated by **\$9,903,675**. In total, **\$21,581,359** of state and local funds were disbursed to fund students who were subsequently self-reported to MSDE as ineligible for funding<sup>2</sup>.

Regarding the initial failure by LEAs to accurately code the 2,757 students, OIGE identified two primary contributive factors:

*1) Data integrity is reliant on attendance practices at the school level*

OIGE did not find any evidence of intentional deception as it pertained to incorrect attendance records. However, school staffs often failed to initially record accurate attendance for students.

To attempt to provide accurate information to MSDE as of September 30, school staff undergo a rigorous process to attempt to identify all enrolled students who have not yet attended school. This process is more complicated for schools that have fluid student enrollments. For example, alternative high schools that receive students for short periods of time for disciplinary or attendance purposes are more likely to be unaware of enrolled students not attending (no-shows).

At one Baltimore City Public Schools (BCPSS) alternative high school in Baltimore City in 2020-21, students who had not yet been provided a device for virtual learning were initially being marked with a "present" attendance code in September in accordance with MSDE guidance. Meanwhile, school staff was working to determine which students were not attending virtual instruction for other reasons. Eventually, it was determined that 107 students could not be located or had voluntarily dropped out. However, the process to make this determination was delayed because the school's attendance monitor was out on extended leave and their replacement was not experienced with

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<sup>2</sup> Due to the intricacies of the funding formulas, the adjustment to the enrollment counts to account for the 2,757 discrepancies impacted the funding amounts for all 24 Maryland LEAs. A full explanation of funding formulas can be found at Appendix J of the Department of Legislative Services' Fiscal and Policy Note for House Bill 1300.

# Investigative Audit of Maryland State Department of Education's State Aid Enrollment Counts

BCPSS' withdrawal process. The students' attendance records were not updated, and the withdrawals were not entered until after data had been sent from BCPSS to MSDE in October. Therefore, the no-show students were determined to have been eligible for funding. Accurate data was reflected in the subsequent reporting but was not acted on by MSDE.

## *2) Limited time available to identify withdrawals and correct attendance data*

COMAR 12.02.06.03 states that a student may not be included in the enrollment count of a local school system if the student is not present on or after September 30 and the LEA determines before filing the end of November adjustment report that the student is withdrawn. COMAR's language indicates an allowance of two months for LEAs to gather, review, and correct their enrollment counts. However, due to Maryland's expedited budget process, there is no "end of November adjustment report". Final data migrations from LEA student information systems to MSDE occurred in late October or early November during the school years reviewed. In practice, LEAs have only one month to gather, review, and correct their enrollment counts.

Beginning in FY23, the Blueprint for Maryland's Future legislation will provide MSDE with a revised funding formula that provides increased local and state funding to LEAs. However, it does not fundamentally change the provisions or timeline of the enrollment counts used in the funding formulas.

Given the time constraints of the current timeline for providing and finalizing enrollment counts, there is an inherent risk of students being coded incorrectly by LEAs. If MSDE does not develop a process to adjust grant amounts for students subsequently self-reported as ineligible, the annual misallocation of funds will continue at an increased rate under the Blueprint for Maryland's Future.

**Recommendation 1:** MSDE should evaluate the 2,757 ineligible students identified and determine whether state aid funds should be recovered from LEAs.

**Recommendation 2:** MSDE should develop and document a process to identify students self-reported by LEAs as ineligible for state aid funding during subsequent reporting. A process to immediately adjust grant amounts to LEAs should be developed. Annually, MSDE DAAIT should provide reporting to OIGE and the Maryland State Board of Education of the number of students subsequently identified by LEAs as ineligible and corresponding grant adjustments.

**(Note:** OIGE is providing specific recommendations to Baltimore City Public Schools and Prince George's County Public Schools in local reports 21-0005-A & 21-0006-A. OIGE will subsequently conduct a similar detailed review of enrollment count processes and procedures at Montgomery County Public Schools to determine whether



# Investigative Audit of Maryland State Department of Education's State Aid Enrollment Counts

improvements can be made to report students' initial eligibility for funding more accurately.)

## **Finding 2: MSDE Audit Office Has Not Utilized Effective Methods for Identifying Enrollment Count Inaccuracies**

The MSDE Audit Office conducts audits of each LEA's state aid programs every two years. The first stated objective of the audits is to determine whether LEAs accurately report the number of students receiving services through the State Aid to Education programs. The most recent audits for Montgomery County Public Schools, Baltimore City Public Schools, Prince George's County Public Schools, and Dorchester County Public Schools did not uncover any instances of funding discrepancies related to attendance or enrollment.

In 2015, BCPSS uncovered 236 students initially coded as eligible for state aid that had not attended school during the 2014-15 school year during an internal investigation. The discovery was made by reviewing their own subsequent reporting. BCPSS self-reported these issues to MSDE, and a grant adjustment in the amount of \$1,208,441 was made as part of the 2016 state aid audit. Despite this amount being the largest single recovery made by the MSDE Audit Office from 2013-2021, analysis of subsequent reporting from LEAs was not incorporated into their audit methodology. The MSDE Audit Office does not currently utilize any original enrollment or attendance data maintained by DAAIT, to include data from the September Attendance Collection or the subsequent reporting. The Audit Office requests a random sample of students from the September Attendance Collection for each LEA from DAAIT to be used in their testing. They have not conducted any data analysis to assess and target identified areas of risks in the overall enrollment counts.

As a result, the MSDE Audit Office did not detect or report the 2,757 instances of ineligible students that were self-reported by LEA from 2017-2021, which follow the same pattern as the 236 students identified to the MSDE Audit Office in 2016.

In addition to the self-reported discrepancies, OIGE performed analysis on the universal data maintained by DAAIT to develop a judgmental sample of additional students with low attendance or with early October withdrawals, as these students were more likely to have been incorrectly coded as eligible for funding. A review of attendance records revealed that **187** additional students beyond those self-reported to MSDE did not attend school on or before September 30 or were not properly withdrawn on or before September 30. See Exhibit D.

# Investigative Audit of Maryland State Department of Education's State Aid Enrollment Counts

**Exhibit D:**

LEA	Students Reviewed	Ineligible Students Identified
Prince George's County Public Schools	256	132
Baltimore City Public Schools	140	53
Dorchester County Public Schools	131	2
Talbot County Public Schools	87	0
<b>Totals</b>	<b>614</b>	<b>187</b>

Because MSDE Audit Office's methodology only utilizes random samples, it was less likely for these students to be chosen for review, and less likely that discrepancies would be identified. Further, each LEA is audited at the same frequency, regardless of size or perceived risk.

The MSDE Audit Office's failure to utilize risk-based tools and strategies has resulted in a failure to meet their objective of determining the accuracy of enrollment counts. In addition to the \$21.6 million of misallocated funds identified in Finding 1, the local findings represent an additional **\$1,878,4352** of misallocated funds, as well as an indication that many more funds may have been disbursed for ineligible students that were not detected by the MSDE Audit Office.

Further, their reporting has provided LEAs and other stakeholders with a false sense of assurance of the accuracy of the enrollment counts used for state aid funding formulas. Independently, BCPSS has instituted a process to identify subsequently reported no-shows at their individual schools and provide feedback to Principals. However, without any acknowledgement of these discrepancies by MSDE Audit Office reports, other LEAs have not instituted similar accountability measures to attempt to improve the accuracy of initial enrollment counts.

**Recommendation 3:** MSDE should evaluate the 187 ineligible students identified and determine whether state aid funds should be recovered from LEAs.

**Recommendation 4:** The MSDE Audit Office should adjust their audit methodology to better address their stated audit objective regarding the accuracy of enrollment counts. At minimum, the methodology should include:

- Analysis of all student data provided by LEAs to MSDE throughout the years being audited
- A risk-based approach to determine the frequency in which each LEA is audited

# Investigative Audit of Maryland State Department of Education's State Aid Enrollment Counts

- A risk-based approach to determine students for testing who are more likely to have been incorrectly funded

### **Finding 3: MSDE Has Provided Conflicting Interpretations Regarding Withdrawal Requirements**

COMAR 13A.02.06.03 states that a student may be included in the enrollment count if they have not been determined to have been withdrawn on or before September 30. In February 2022, MSDE DAAIT stated that they have interpreted this to mean a student needs at least one day of attendance in October and that they have communicated that interpretation verbally to LEA officials. However, there is no official documentation of this interpretation.

Meanwhile, MSDE has provided several conflicting, documented guidance:

- The Maryland Student Records Systems Manual states that “after 10 school days of consecutive unlawful absences, the student should be exited from the school with an Exit Status ‘W’ and Exit Code ‘50’.” Exit Code 50 is described as “Not Accessing Educational Services”.
- The Maryland Student Records Systems Manual also states that once a student has exited, schools have 10 consecutive school days to ensure that the student is receiving educational services. Upon expiration of the day 10 day window, the student should be exited as a W50 and the date of exit should be the first school day after the last day of attendance.
- In 2016, a MSDE official informed Baltimore City Public Schools that a student needs a date of attendance within the first 10 days of October in order to be deemed eligible for state aid funding.

Officials for all four LEAs reviewed indicated that they do not automatically withdraw students after 10 consecutive unlawful absences as stated in the Maryland Student Records Manual. Doing so would have unrelated consequences. For instance, it is more difficult for schools to attempt to re-engage students who are no longer in membership at their LEA. Truancy court proceedings become more difficult. Further, students' grades and schedules are deleted from the LEAs' student information systems when they are withdrawn. Therefore, a schedule must be completely rebuilt if a student re-enters.

Although the practice of not withdrawing students after 10 consecutive unlawful absences appears to be consistent, LEAs are taking different approaches when the unlawful absences occur during the September 30 time window.



## Investigative Audit of Maryland State Department of Education's State Aid Enrollment Counts

- Baltimore City Public Schools' student information system automatically excludes students from state aid eligibility when they have 10 or more consecutive unlawful absences that includes September 30. The guidance they received from MSDE in 2016 is specifically included in their system's functional requirements guide.
- Dorchester County Public Schools manually reviews their student information system to identify and exclude these students from eligibility for state aid.
- Prince George's County Public Schools includes all students as eligible for state aid as long as they have one date of attendance in September and a withdrawal has not been entered by the time of their last data submission to MSDE in late October or early November. Officials stated that the withdrawal process, which can take up to several months, only begins when a student logs their 10<sup>th</sup> consecutive unexcused absence.

Baltimore City Public Schools and Dorchester County Public Schools both utilize Code 06, "Ineligible – COMAR 13A.02.06.01" to appropriately exclude these students from state aid funding but to keep them in membership for re-engagement purposes. MSDE provided data on all 5,040 students who were classified with this code from 2017-18 through 2020-21 which illustrated the inconsistent usage across the state. See Exhibit E.

### Exhibit E:

LEA	Total Students	Code 06 Students
Baltimore City Public Schools	317,930	4,587 (91% of state total)
Dorchester County Public Schools	18,951	38
Prince George's County Public Schools	536,313	3
Montgomery County Public Schools	652,771	0

The Maryland Student Records Systems Manual also includes the following passage in its' section regarding the September attendance collection:

*A student with a prolonged absence during September, who is not in attendance on September 30, must be withdrawn unless school officials have determined a reason to keep the students on the roll. In the absence of supporting evidence, these students must be withdrawn. If court proceedings have been initiated for non-attendance, the student must remain on the roll. If it is determined that certain students must remain in membership, but are not to be included for State*

# Investigative Audit of Maryland State Department of Education's State Aid Enrollment Counts

*Aid Calculations, the record must be coded with the appropriate State Aid Eligibility code.*

Although this passage does appear to allow for schools to not withdraw all students who are logging consecutive unlawful absences, it supports the practice that they should still be excluded from state aid funding. However, the lack of clear messaging from MSDE has resulted in some school systems including ineligible students in their enrollment counts for state aid. 63 of the 132 ineligible students identified in **Finding 2** from Prince George's County were students who had 10 or more consecutive unlawful absences that included September 30.

**Recommendation 5:** MSDE should amend the Maryland Student Records Systems Manual to define how school systems should proceed when students log 10 or more consecutive unlawful absences. The guidance should consider the impact on accurate enrollment counts while also maximizing LEAs' ability to effectively re-engage students.

## **Finding 4: MSDE Data Indicates Duplicate Funding for Students**

In 29 instances during the period reviewed, a student was counted twice as eligible for state aid funding. In 16 of the 29 instances, the student was counted twice as part of the same LEA. In 13 instances, a student was listed as part of two LEAs. 12 of these 13 instances were students listed as eligible for funding for both Baltimore City Public Schools and Baltimore County Public Schools.

OIGE was not able to determine the precise financial impact of the duplication of the 29 students due to the inability to determine which school system each student should have been solely assigned to for the purposes of state aid.

**Recommendation 6:** MSDE should investigate the identified duplications and determine whether state aid funds should be recovered from LEAs.

**Investigative Audit of Maryland State Department of  
Education's State Aid Enrollment Counts**

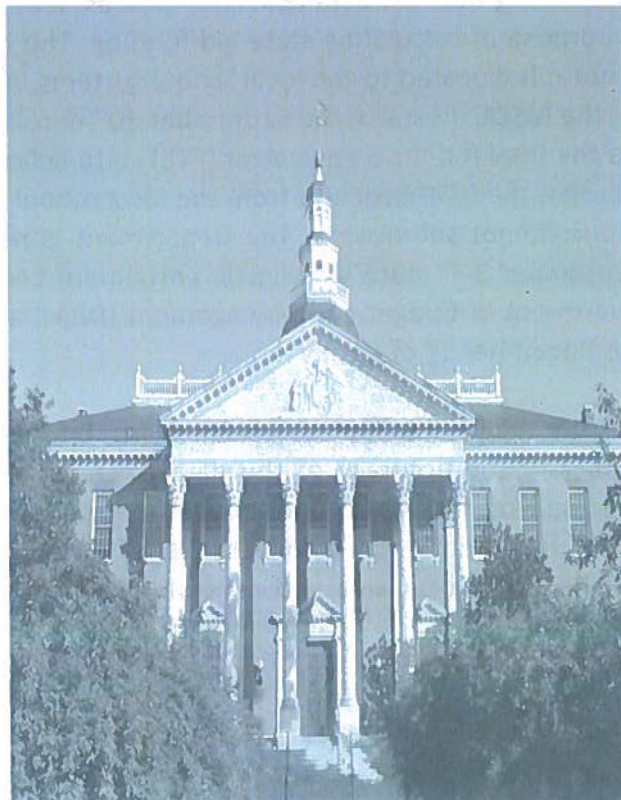
**Investigative Audit Team**

**Dan Reagan, CPA, CIA, CFE**

**Supervisory Inspector General for Investigative Audits**

**Georgia Conroy**

**Investigative Auditor**





**Mohammed Choudhury**  
State Superintendent of Schools

April 18, 2022

Mr. Richard Henry  
Inspector General  
Maryland Office of the Inspector General for Education  
100 Community Place  
Crownsville, Maryland 21032

Dear Mr. Henry:

Enclosed is the Maryland State Department of Education (MSDE) responses to the Maryland Office of Inspector General for Education (OIGE) Investigative Audit of the Maryland State Department of Education's State Aid Enrollment Counts.

The MSDE is committed to ensuring that the data collection process leads to accurate state aid enrollment counts for the purpose of calculating state aid funding. The Department maintains that state aid funding was not misallocated to the local school systems. According to Education Article, Section 5-201(g)(1), the MSDE must use the September 30<sup>th</sup> enrollment count from each school district to determine the total full-time-equivalent (FTE) state aid enrollment for the next fiscal year. The student data that the MSDE collects from the local school systems are correct at the time of the state aid enrollment submission. The Department is not required by law to update or reconcile the September 30<sup>th</sup> state aid eligible enrollment count after the data has been submitted to the Department of Budget and Management (DBM) and the Department of Legislative Services (DLS) on December 1<sup>st</sup> of each year.

The MSDE's data collection from the local school systems includes data system checks and error reporting, which helps to ensure the accuracy of the data collected. The enrollment count verification processes performed by the MSDE and local school systems includes a rigorous analysis that has resulted in a significantly low error rate. The Department maintains that the low error rate is attributed to the procedures and controls in place over the MSDE's data collection process.

The OIGE's decision to frame its findings, absent proper context contributes to a seemingly less objective nature of the report. For example, one of the report's statements, which could mislead without context, is on page 7 of the report. The statement notes:

In total, \$15,527,343 of state funds were misallocated to school systems over the five years reviewed. In addition, the local funding requirement for the foundational program was overstated by \$11,578,498. In total, \$27,105,841 of state and local funds were disbursed to fund students who were subsequently self-reported to MSDE as ineligible for funding.

To deconstruct this claim:

- 1) As described above, funds were not misallocated.
- 2) The amounts described above do, indeed, reflect a large amount of money but context matters. That amount is less than 0.05% of the State Aid during that time window.
- 3) The local funding requirement for the foundational program was not overstated. The local funding requirements for the foundation program were correct at the time the MSDE provided the data to the DBM and the DLS and state law neither requires nor calls for a count reconciliation, due, in part, to complexities noted in the above-cited statement's footnote.
- 4) The percent of students identified by the OIGE ineligible for funding over the five years ranged from 0.06% to 0.1%. That means, by the OIGE's logic, 99.9% or more of the student population in Maryland was rightfully identified as eligible students over the five years.

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- 5) This finding and its underlying analysis fail to account for changes in enrollment coding that would result in a student previously identified as ineligible being subsequently identified as eligible.
  - a. This omission results in dollar amounts that inherently overstate any fiscal impact.

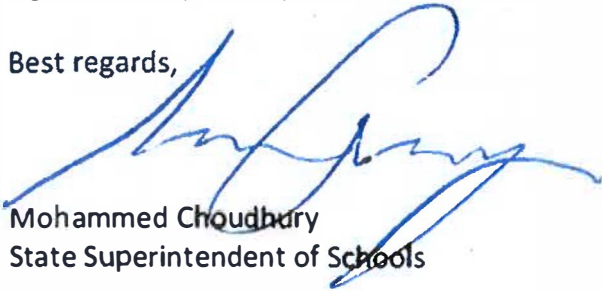
The MSDE is committed to continuously improving our processes and is currently amending internal procedures to further ensure that accurate enrollment data is collected for state aid funding calculations. We greatly appreciate the efforts of your audit staff in providing us with recommendations for improvements.

Mr. Henry  
April 18, 2022  
Page 3

If you have any questions regarding our responses or need any additional clarification, please  
Ms. Channel Sumpter, Director of Audits at 410-767-0104.

Again, thank you for your assistance.

Best regards,



Mohammed Choudhury  
State Superintendent of Schools

Enclosures

c: Ary Amerikaner, Chief of Staff  
Justin Dayhoff, Assistant State Superintendent of Financial Planning, Operations, and Strategy  
Sylvia Lawson, Ph.D., Deputy Superintendent for School Effectiveness  
Channel Sumpter, Director of Audits  
Chandra Haislet, Executive Director, Performance Reporting Accountability Branch





MARYLAND OFFICE OF THE  
INSPECTOR GENERAL FOR EDUCATION

Richard P. Henry  
Inspector General

Douglas H. Roloff, III  
Deputy Inspector General

*Investigative Audit Recommendation Response Form*

Investigative Audit Number: 22-0001-A

Investigative Audit Title: Maryland State Department of Education's State Aid Enrollment Counts

**Recommendation 1:** Maryland State Department of Education (MSDE) should evaluate the 3,228 ineligible students identified (*Finding 1*) and determine whether state aid funds should be recovered from LEAs.

**MSDE Response:**

<b>Opinion (Concur/Non- Concur)</b>	<b>Correction Action Plan (Provide Narrative Response)</b>	<b>Current Status of Corrective Action (Implemented/Partially Implemented/Not Yet Implemented)</b>	<b>Estimated Date of Full Implementation of Corrective Action</b>
Concur	While the Department agrees that we have not evaluated subsequent reporting from the 24 LEA's to detect enrollment discrepancies self-reported by LEAs, MSDE disagrees with OIGE's implication that 3,228 students had not met COMAR attendance or enrollment requirements for the five year period reviewed. Subsequent verifications of the student data reported in the Early and End of Year data collections, would be needed in order to definitively state that the 3,228 students were ineligible for funding.	Partially Implemented	During the annual End-of-Year and Early Attendance data collections for the 2022-2023 School Year

\*If applicable, please include attachments that may provide better context regarding planned corrective actions



**Recommendation 1:** Maryland State Department of Education (MSDE) should evaluate the 3,228 ineligible students identified (*Finding 1*) and determine whether state aid funds should be recovered from LEAs.

**MSDE Response - continued:**

<b>Opinion (Concur/Non- Concur)</b>	<b>Correction Action Plan (Provide Narrative Response)</b>	<b>Current Status of Corrective Action (Implemented/Partially Implemented/Not Yet Implemented)</b>	<b>Estimated Date of Full Implementation of Corrective Action</b>
	<p>The MSDE agrees with the recommendation to evaluate the identified student records. The MSDE Office of Performance Reporting and Accountability (OPRA) will evaluate the 3,228 students identified during the investigative audit and the Department will determine whether state aid funds should be recovered from LEAs. The OIGE provided a file containing necessary detail regarding the cited 3,228 students, which will allow OPRA to perform additional analysis and document the results of this review. The MSDE's OPRA has begun its review and will continue working with the local education agencies to determine if the 3,228 students were eligible as of September 30<sup>th</sup>.</p>		

\*If applicable, please include attachments that may provide better context regarding planned corrective actions

**Recommendation 2:** MSDE should develop and document a process to identify students self-reported by LEAs as ineligible for state aid funding during subsequent reporting. A process to immediately adjust grant amounts to LEAs should be developed. Annually, MSDE DAAIT should provide reporting to OIGE and the Maryland State Board of Education of the number of students subsequently identified by LEAs as ineligible and corresponding grant adjustments.

**MSDE Response:**

<b>Opinion (Concur/Non-Concur)</b>	<b>Correction Action Plan (Provide Narrative Response)</b>	<b>Current Status of Corrective Action (Implemented/Partially Implemented/Not Yet Implemented)</b>	<b>Estimated Date of Full Implementation of Corrective Action</b>
Concur	<p>MSDE agrees with the recommendation. The MSDE already has a process in place for LEAs to report students that were subsequently identified as ineligible for state aid after the September 30<sup>th</sup> data was provided to the State. In order to improve upon our current process, the OPRA agrees to perform and document additional error checks as part of the Early and End-of-Year Attendance data collections to ensure accurate reporting by the LEAs across the academic year.</p> <p>For example, an error will be triggered for the following:</p> <ul style="list-style-type: none"> <li>● When a student record is entered with zero days of attendance in the early or end of year data collection.</li> <li>● A system check will generate a report to identify students who were retroactively withdrawn on/before September 30<sup>th</sup>.</li> </ul>	Partially Implemented	The additional error checks will be implemented during the spring 2023 data collections.

\*If applicable, please include attachments that may provide better context regarding planned corrective actions

**Recommendation 2:** MSDE should develop and document a process to identify students self-reported by LEAs as ineligible for state aid funding during subsequent reporting. A process to immediately adjust grant amounts to LEAs should be developed. Annually, MSDE DAAIT should provide reporting to OIGE and the Maryland State Board of Education of the number of students subsequently identified by LEAs as ineligible and corresponding grant adjustments.

**MSDE Response - continued:**

<b>Opinion (Concur/Non- Concur)</b>	<b>Correction Action Plan (Provide Narrative Response)</b>	<b>Current Status of Corrective Action (Implemented/Partially Implemented/Not Yet Implemented)</b>	<b>Estimated Date of Full Implementation of Corrective Action</b>
	<p>Annually, the OPRA will provide a report of the aforementioned errors to the Office of Audits for review. The Department will evaluate our internal processes and determine if any grant adjustments will be made, as a result of these annual error checks in the LEAs subsequent reporting. If the Department develops a policy that includes annual grant adjustments to LEAs based on the results of these annual error checks, we will submit a report to the OIGE and the Maryland State Board of Education with the results of those actions.</p>		

\*If applicable, please include attachments that may provide better context regarding planned corrective actions

**Recommendation 3:** MSDE should evaluate the 187 ineligible students (*Finding 2*) identified and determine whether state aid funds should be recovered from LEAs.

**MSDE Response:**

<b>Opinion (Concur/Non- Concur)</b>	<b>Correction Action Plan (Provide Narrative Response)</b>	<b>Current Status of Corrective Action (Implemented/Partially Implemented/Not Yet Implemented)</b>	<b>Estimated Date of Full Implementation of Corrective Action</b>
Concur	<p>The MSDE does agree with recommendation to evaluate the 187 identified students. The MSDE Office of Audits will evaluate the 187 ineligible students identified by the OIGE in this report and determine whether these students were properly included in the LEA’s enrollment count as of September 30<sup>th</sup> based on the requirements of COMAR 13A.02.06.03. If the MSDE determines that any of the 187 students identified by the OIGE did not meet the eligibility requirements to be included in the LEA’s enrollment count for the respective year, the MSDE will assess whether state aid funds should be subsequently recovered from the LEA.</p> <p>The MSDE does not concur with the factual accuracy of the OIGE’s analysis for Finding 2. Specifically, The State Aid Audit of Talbot County Public Schools issued August 5, 2019, and the State Aid Audit of Montgomery County Public Schools issued April 30, 2021, did uncover instances where students were disallowed due to lack of attendance or not meeting the program enrollment requirements. The aforementioned reports were provided to the OIGE during the audit.</p>	Not Yet Implemented	August 30, 2022

**Recommendation 3:** MSDE should evaluate the 187 ineligible students (*Finding 2*) identified and determine whether state aid funds should be recovered from LEAs.

**MSDE Response-continued:**

<b>Opinion (Concur/Non- Concur)</b>	<b>Correction Action Plan (Provide Narrative Response)</b>	<b>Current Status of Corrective Action (Implemented/Partially Implemented/Not Yet Implemented)</b>	<b>Estimated Date of Full Implementation of Corrective Action</b>
Concur	The Department would like to clarify that the state aid audits of local school systems includes a random sample of students coded as "01-Eligible for State Aid" from the September Attendance Data Collection requested from the OPRA. For the sample of students selected for testing, the audit will determine if the student met the requirements of COMAR 13A.02.06.03 for inclusion in the enrollment count as of September 30 <sup>th</sup> . The September Attendance Data Collection is the source of the sample selection and not subsequent reporting made by the LEAs in the Early or End-of-Year attendance data collections.		

\*If applicable, please include attachments that may provide better context regarding planned corrective actions

**Recommendation 3:** MSDE should evaluate the 187 ineligible students (*Finding 2*) identified and determine whether state aid funds should be recovered from LEAs.

**MSDE Response - continued:**

<b>Opinion</b> (Concur/Non-Concur)	<b>Correction Action Plan</b> (Provide Narrative Response)	<b>Current Status of Corrective Action</b> (Implemented/Partially Implemented/Not Yet Implemented)	<b>Estimated Date of Full Implementation of Corrective Action</b>
	<p>The Department would also add that the 3,228 ineligible students noted by the OIGE as self-reported by the LEA from 2017-2021 would have been a part of the LEA student population when the audit samples were created.</p> <p>In addition, the Department does not agree with the OIGE’s analysis that the MSDE Audit Office failed to meet their objective of determining the accuracy of the enrollment counts. One of the state aid audit objectives is to determine whether the LEA enrollment count was accurate as of September 30<sup>th</sup> in the years subject to audit. The audit objectives were achieved through the audit testing and review of internal controls that were performed during the state aid audits.</p>		

\*If applicable, please include attachments that may provide better context regarding planned corrective actions



**Recommendation 3:** MSDE should evaluate the 187 ineligible students (*Finding 2*) identified and determine whether state aid funds should be recovered from LEAs.

**MSDE Response - continued:**

<b>Opinion</b> (Concur/Non-Concur)	<b>Correction Action Plan</b> (Provide Narrative Response)	<b>Current Status of Corrective Action</b> (Implemented/Partially Implemented/Not Yet Implemented)	<b>Estimated Date of Full Implementation of Corrective Action</b>
	<p>The OIGE's analysis that the MSDE Audit Office does not reflect any subsequent reporting of no show students is also inaccurate.</p> <p>The MSDE Audit Office is routinely notified by MSDE Program Divisions when an LEA subsequently reports an overstatement of students on their Verification of Enrollment Count Forms. Once notified, the MSDE Audit Office includes the number of overstated students as a disallowance during the biennial State Aid Audit of the LEA.</p>		

\*If applicable, please include attachments that may provide better context regarding planned corrective actions



**Recommendation 4:** The MSDE Audit Office should adjust their audit methodology to better address their stated audit objective regarding the accuracy of enrollment counts. At minimum, the methodology should include:

- Analysis of all student data provided by LEAs to MSDE throughout the years being audited
- A risk-based approach to determine the frequency in which each LEA is audited
- A risk-based approach to determine students for testing who are more likely to have been incorrectly funded

**MSDE Response:**

<b>Opinion (Concur/Non-Concur)</b>	<b>Correction Action Plan (Provide Narrative Response*)</b>	<b>Current Status of Corrective Action (Implemented/Partially Implemented/Not Yet Implemented)</b>	<b>Estimated Date of Full Implementation of Corrective Action</b>
Concur	<p>The MSDE agrees with the recommendation. In the future, the MSDE Office of Audits will adjust the audit methodology for audits of local education agencies when preparing the annual audit plan. The audit methodology will be based on the education programs subject to audit, defined audit objectives, audit criteria, and an assessment of internal controls at the local school system.</p> <p>The MSDE Office of Audits will determine during the planning phase of a LEA audit if an analysis of the raw student data provided by the LEA to MSDE OPRA is necessary to achieve the audit objectives. In addition, the MSDE Office of Audits will evaluate its audit sampling approach when performing state aid audits of local education agencies.</p>	Not Yet Implemented.	October 1, 2022

\*If applicable, please include attachments that may provide better context regarding planned corrective actions

**Recommendation 4:** The MSDE Audit Office should adjust their audit methodology to better address their stated audit objective regarding the accuracy of enrollment counts. At minimum, the methodology should include:

- Analysis of all student data provided by LEAs to MSDE throughout the years being audited
- A risk-based approach to determine the frequency in which each LEA is audited
- A risk-based approach to determine students for testing who are more likely to have been incorrectly funded

**MSDE Response - continued:**

<b>Opinion (Concur/Non- Concur)</b>	<b>Correction Action Plan (Provide Narrative Response*)</b>	<b>Current Status of Corrective Action (Implemented/Partially Implemented/Not Yet Implemented)</b>	<b>Estimated Date of Full Implementation of Corrective Action</b>
	<p>The sample selection and population will be defined in a manner that is consistent with the audit objectives and the compliance attributes being tested.</p> <p>The MSDE Office of Audits agrees to use a risk-based approach to determine which LEA will be subject to audit in its annual audit plan. The LEA audits will not be audited on a pre-determined frequency.</p>		

\*If applicable, please include attachments that may provide better context regarding planned corrective actions

**Recommendation 5:** MSDE should amend the Maryland Student Records Systems Manual to define how school systems should proceed when students log 10 or more consecutive unlawful absences (*Finding 3*). The guidance should consider the impact on accurate enrollment counts while also maximizing LEAs' ability to effectively re-engage students.

**MSDE Response:**

<b>Opinion (Concur/Non-Concur)</b>	<b>Correction Action Plan (Provide Narrative Response*)</b>	<b>Current Status of Corrective Action (Implemented/Partially Implemented/Not Yet Implemented)</b>	<b>Estimated Date of Full Implementation of Corrective Action</b>
Non-Concur	The MSDE does not agree with the recommendation. The Maryland Student Records Manual already provides guidance to the local school systems on how to proceed when a student has 10 or more consecutive absences. The MSDE will continue to provide technical assistance to the local education agencies to ensure consistent reporting of the student data to the Department.	N/A	N/A

\*If applicable, please include attachments that may provide better context regarding planned corrective actions.

**Recommendation 6:** MSDE should investigate the identified 29 duplications (*Finding 4*) and determine whether state aid funds should be recovered from LEAs.

**MSDE Response:**

<b>Opinion (Concur/Non-Concur)</b>	<b>Correction Action Plan (Provide Narrative Response*)</b>	<b>Current Status of Corrective Action (Implemented/Partially Implemented/Not Yet Implemented)</b>	<b>Estimated Date of Full Implementation of Corrective Action</b>
Concur	<p>The MSDE disagrees with the OIGE’s finding that there were 29 instances, during the period reviewed, where a student was counted twice as eligible for state aid funding.</p> <p>At the time of reporting these students to the MSDE in the September attendance data collection, each student had a unique State Assigned Student Identification (SASID). Over time, LEAs obtained additional information about these students which led them to determine that these two different students were the same student. When this situation occurs, a request for SASID merge is made to the MSDE. When SASID merges are made, the longitudinal database maintained by the OPRA stores data with the final resulting SASID (post merge). As a result of this process, data provided to the OIGE in response to this audit request contained enrollment records with duplicate SASIDs. The OPRA initiated review of the 29 duplications identified by the OIGE.</p>	Partially Implemented	July 1, 2022

\*If applicable, please include attachments that may provide better context regarding planned corrective actions.

**Recommendation 6:** MSDE should investigate the identified 29 duplications (*Finding 4*) and determine whether state aid funds should be recovered from LEAs.

**MSDE Response - continued:**

<b>Opinion (Concur/Non- Concur)</b>	<b>Correction Action Plan (Provide Narrative Response*)</b>	<b>Current Status of Corrective Action (Implemented/Partially Implemented/Not Yet Implemented)</b>	<b>Estimated Date of Full Implementation of Corrective Action</b>
	<p>We determined that 11 were the result of an incorrect SASID merge and are in fact two different students and not duplicates. The remaining 18 duplications identified were correctly merged after their respective September 30<sup>th</sup> enrollment collection.</p> <p>The MSDE agrees that the 29 records should be investigated and will work with the LEA to verify attendance data for the 18 student records that were merged after the September 30 enrollment data. The Department will determine if state aid funds should be recovered.</p>		

\*If applicable, please include attachments that may provide better context regarding planned corrective actions.

**Recommendation 7:** MSDE should complete a final duplicate check each year prior to submission of enrollment counts for inclusion in funding formulas. Particular attention should be paid to students who may have transferred between Baltimore City Public Schools and Baltimore County Public Schools.

**MSDE Response:**

<b>Opinion (Concur/Non-Concur)</b>	<b>Correction Action Plan (Provide Narrative Response*)</b>	<b>Current Status of Corrective Action (Implemented/Partially Implemented/Not Yet Implemented)</b>	<b>Estimated Date of Full Implementation of Corrective Action</b>
Non-Concur	<p>The MSDE disagrees with the recommendation since there already is in place a final duplicate check to identify and reject duplicate SASIDs. Maryland's state longitudinal data system maintains an accounting of students based on a unique student identifier and has a process in place for unmerging of student records and merging records throughout the system.</p> <p>Maryland has a rigorous process to ensure one student has one unique state identifier. LEAs are responsible for verifying all student identifying information including the correct SASID is verified prior to each data submission to MSDE which MSDE confirms during a validation process to ensure that one student has one unique state identifier.</p>	NA	N/A

\*If applicable, please include attachments that may provide better context regarding planned corrective actions.





## MARYLAND OFFICE OF THE INSPECTOR GENERAL FOR EDUCATION

Richard P. Henry  
*Inspector General*

Douglas H. Roloff, III  
*Deputy Inspector General*

April 20, 2022

### MEMORANDUM

To: Mr. Mohammed Choudhury  
State Superintendent of Schools  
Maryland State Department of Education  
200 W. Baltimore Street  
Baltimore, Maryland 21201

RE: MSDE Response to OIGE Investigative Audit 22-0001-A

The Maryland Office of the Inspector General for Education (OIGE) appreciates the Maryland State Department of Education's (MSDE) detailed responses to the draft recommendations for the Investigative Audit of MSDE's State Aid Enrollment Reporting. The response indicates a commitment to improving processes and procedures that will increase the accuracy of future enrollment counts. Additionally, due to new information provided by MSDE regarding "final duplicate checks that are now in place", the OIGE has concluded that Recommendation 7 has been satisfied and this recommendation will be removed from the final report.

Nevertheless, there are several statements made in MSDE's Recommendation Response Form that require clarification based on evidence found during our investigative audit. Please see below:

- **MSDE Statement:** The student data that the MSDE collects from the local school systems are correct at the time of the state aid enrollment submission. (*Cover Letter, Page 1*)
- **OIGE Clarification:** The overall conclusion of the investigative audit is that student data is not always correct at the time of the state aid enrollment submission. Although MSDE cannot detect the inaccuracies in real time, student ineligibilities noted in the investigative audit report supports our recommendation to institute a reconciliation process. (*MSDE has concurred with this recommendation.*)
- **MSDE Statement:** The Department maintains that state aid funding was not misallocated to the local school systems. (*Cover Letter, Page 1*)
- **OIGE Clarification:** Allocation of state aid funding is done through a calculation that incorporates enrollment counts. If enrollment counts are incorrect, the corresponding

calculations and allocations are also incorrect. The responsibility for the initial misallocation of funds lies with the Local Education Agencies' (LEAs) initial failure to provide accurate enrollment counts. However, MSDE shares responsibility for the failure to correct those misallocations when LEAs subsequently report ineligibilities later in the school year and adjustments to the allocations are not made.

- **MSDE Statement:** The percent of students identified by the OIGE ineligible for funding over the five years ranged from 0.06% to 0.1%. That means, by OIGE's logic, 99.9% or more of the student population in Maryland was rightfully identified as eligible students over the five years. (*Cover Letter, Page 2*)
- **OIGE Clarification:** The OIGE agrees that only a small percentage of students in annual enrollment counts were subsequently reported by LEAs as ineligible (*See Finding 1*). However, the subsequent judgmental sample of 614 students assessed by OIGE found that over 30% of tested students were also ineligible (*See Finding 2*). Although it would be inaccurate to extrapolate the exception percentage of a judgmental sample to the remaining approximately 4.4 million students, it would be equally inaccurate to state that all the remaining students were correctly identified as eligible over the five years.

In fact, the judgmental sample used in our audit only included 14 total schools across the State of Maryland. Our audit uncovered several systematic issues with both attendance taking and dating of student withdrawals. These issues indicate the probability of there being significantly more ineligible students who have been funded during the period reviewed.

- **MSDE Statement:** The MSDE does not agree with the recommendation (that MSDE should amend the Maryland Student Records Systems Manual to define how school systems should proceed when students log 10 or more consecutive unlawful absences). The Maryland Student Records Manual already provides guidance to the local school systems on how to proceed when a student has 10 or more consecutive absences. (*Recommendation 5*)
- **OIGE Clarification:** The OIGE found that there are contradicting passages within the Maryland Student Records System Manual (MSRSM) as it pertains to students logging 10 or more consecutive absences. The MSRSM states, "*the student should be exited from the school with an Exit Status "W" and Exit Code "50"*"<sup>1</sup>. However, the "September Attendance" section of the manual also refers to situations where a student must remain in membership but be excluded from State Aid Calculations.<sup>2</sup>

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<sup>1</sup> 2020 Maryland Student Records System Manual, Student Attendance, Unlawful Cause of Absence, Consecutive Absences, page 45.

<sup>2</sup> Ibid., page 60

In fact, officials from LEAs reviewed indicated that they are not automatically withdrawing students in alignment with the requirement listed in the MSRSM. In addition, LEAs have varied interpretations of the vague statement listed in the "September Attendance" section regarding exclusion from State Aid Calculations. It is the opinion of the OIGE that this conflicting guidance has impacted State Aid Calculations and has resulted in an inequitable allocation of funding for students having 10 or more consecutive unlawful absences including September 30th.

Based on the concerns raised regarding this finding, the OIGE request that the MSDE reconsider their position as to the recommended revision of the 2020 Maryland Students Records System Manual governing September Attendance guidance.

**NOTE:** The draft version of this report indicated 2,420 students without a recorded date of attendance on or before September 30th (*Finding 1, Page 5*). However, after the investigative audit fieldwork and draft report were completed, Prince George's County Public Schools (PGCPS) discovered an error within their student information system that had resulted in incorrect attendance information being provided to MSDE in subsequent reporting. On April 19, 2022, PGCPS provided new evidence that 471 students included in the draft report had at least one day of attendance on or before September 30<sup>th</sup>. OIGE has updated all relevant figures in the final report. As a result of OIGE's work, PGCPS has rectified the error in their student information system.

In closing, I wish to thank you for both your support and understanding throughout the investigative audit process. The professionalism and assistance provided by your staff surely reflects MSDE's dedication of our school systems throughout the State of Maryland. Please feel free to contact Mr. Dan Reagan, CPA, Supervisory Inspector General for Investigative Audits at (443) 721-4889 or by email at [dan.reagan@maryland.gov](mailto:dan.reagan@maryland.gov) if you or your staff have any questions or concerns.

Respectfully,



Richard P. Henry  
Inspector General



**Mohammed Choudhury**  
State Superintendent of Schools

April 18, 2022

Mr. Richard Henry  
Inspector General  
Maryland Office of the Inspector General for Education  
100 Community Place  
Crownsville, Maryland 21032

Dear Mr. Henry:

Enclosed is the Maryland State Department of Education (MSDE) responses to the Maryland Office of Inspector General for Education (OIGE) Investigative Audit of the Maryland State Department of Education's State Aid Enrollment Counts.

The MSDE is committed to ensuring that the data collection process leads to accurate state aid enrollment counts for the purpose of calculating state aid funding. The Department maintains that state aid funding was not misallocated to the local school systems. According to Education Article, Section 5-20, the MSDE must use the September 30<sup>th</sup> enrollment count from each school district to determine the total full-time-equivalent (FTE) state aid enrollment for the next fiscal year. The student data that the MSDE collects from the local school systems are correct at the time of the state aid enrollment submission. The Department is not required by law to update or reconcile the September 30<sup>th</sup> state aid eligible enrollment count after the data has been submitted to the Department of Budget and Management (DBM) and the Department of Legislative Services (DLS) on December 1<sup>st</sup> of each year.

The MSDE's data collection from the local school systems includes data system checks and error reporting, which helps to ensure the accuracy of the data collected. The enrollment count verification processes performed by the MSDE and local school systems includes a rigorous analysis that has resulted in a significantly low error rate. The Department maintains that the low error rate is attributed to the procedures and controls in place over the MSDE's data collection process.

Mr. Henry  
April 18, 2022  
Page 2

The OIGE's decision to frame its findings, absent proper context contributes to a seemingly less objective nature of the report. For example, one of the report's statements, which could mislead without context, is on page 7 of the report. The statement notes:

In total, \$15,527,343 of state funds were misallocated to school systems over the five years reviewed. In addition, the local funding requirement for the foundational program was overstated by \$11,578,498. In total, \$27,105,841 of state and local funds were disbursed to fund students who were subsequently self-reported to MSDE as ineligible for funding.

To deconstruct this claim:

- 1) As described above, funds were not misallocated.
- 2) The amounts described above do, indeed, reflect a large amount of money but context matters. That amount is less than 0.05% of the State Aid during that time window.
- 3) The local funding requirement for the foundational program was not overstated. The local funding requirements for the foundation program were correct at the time the MSDE provided the data to the DBM and the DLS and state law neither requires nor calls for a count reconciliation, due, in part, to complexities noted in the above-cited statement's footnote.
- 4) The percent of students identified by the OIGE ineligible for funding over the five years ranged from 0.06% to 0.1%. That means, by the OIGE's logic, 99.9% or more of the student population in Maryland was rightfully identified as eligible students over the five years.
- 5) This finding and its underlying analysis fail to account for changes in enrollment coding that would result in a student previously identified as ineligible being subsequently identified as eligible.
  - a. This omission results in dollar amounts that inherently overstate any fiscal impact.

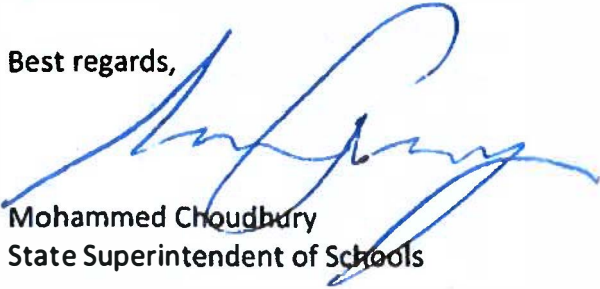
The MSDE is committed to continuously improving our processes and is currently amending internal procedures to further ensure that accurate enrollment data is collected for state aid funding calculations. We greatly appreciate the efforts of your audit staff in providing us with recommendations for improvements.

Mr. Henry  
April 18, 2022  
Page 3

If you have any questions regarding our responses or need any additional clarification, please  
Ms. Channel Sumpter, Director of Audits at 410-767-0104.

Again, thank you for your assistance.

Best regards,



Mohammed Choudhury  
State Superintendent of Schools

Enclosures

c: Ary Amerikaner, Chief of Staff  
Justin Dayhoff, Assistant State Superintendent of Financial Planning, Operations, and Strategy  
Sylvia Lawson, Ph.D., Deputy Superintendent for School Effectiveness  
Channel Sumpter, Director of Audits  
Chandra Haislet, Executive Director, Performance Reporting Accountability Branch