

Audit Report

Maryland State Department of Education

January 2023

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
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

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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

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 prominent initial 'G'.

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.

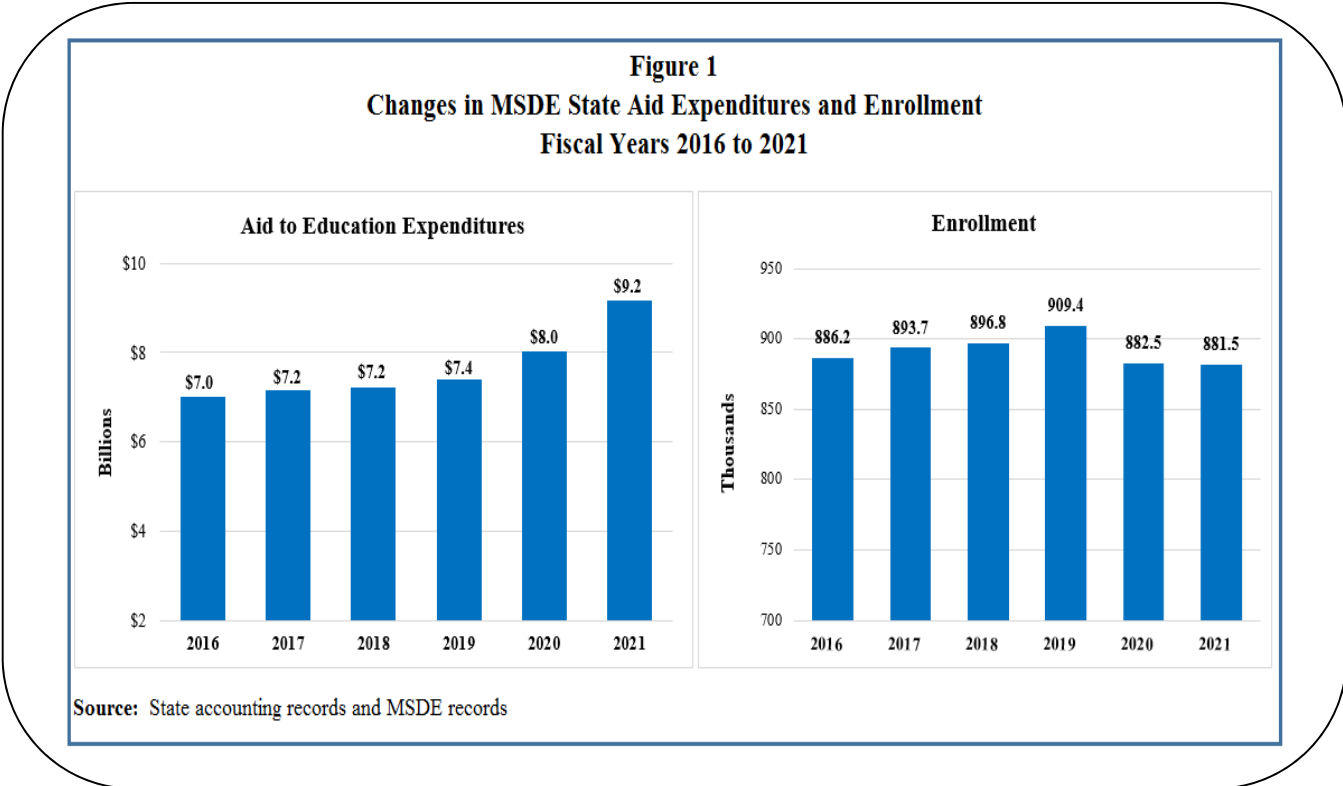
- **Headquarters** – Centralized business services including procurement, accounts payable, corporate purchasing cards, grants management, human resources, payroll, internal audits, and the Division of Rehabilitation Services
- **Aid to Education** – Formula funding grants and grants for the Blueprint 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.¹ The support services these units or divisions receive from MSDE Headquarters are subject to review and testing during this audit.

¹ 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.²
- 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

² 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

Preceding Finding	Finding Description	Implementation Status
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.	Repeated (Current Finding 8)
Finding 4	Sensitive personally identifiable information maintained by MSDE was stored without adequate safeguards.	Status Redacted ³
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 ³
Finding 6	MSDE did not have a complete information technology disaster recovery plan for recovering computer operations.	Status Redacted ³
Finding 7	Malware protection was not sufficient to provide MSDE with adequate assurance that its computers were properly protected.	Status Redacted ³
Finding 8	Certain MSDE units did not record and restrictively endorse check collections immediately upon receipt as required.	Not repeated (Not followed up on)

³ 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
Totals	\$250.9	\$393.6

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 program⁴ 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).**

⁴ 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.⁵ 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

⁵ 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 30th 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 30th. 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 program⁶ 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.

⁶ 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 30th after the data is submitted to the appropriate State entities for budget purposes on December 1st 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.⁷ 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
Totals	\$20.5	9	\$14.4	\$13.0

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.

⁷ 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)*.⁸ 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.

⁸ *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
Totals		54	54	37	30	143	318	171

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
Totals	\$6,176.7	874,267		2,272	4	\$15,151	\$106,173

Source: MSDE - Internal Audit Reports and MSDE Records



Mohammed Choudhury
State Superintendent of Schools

January 4, 2023

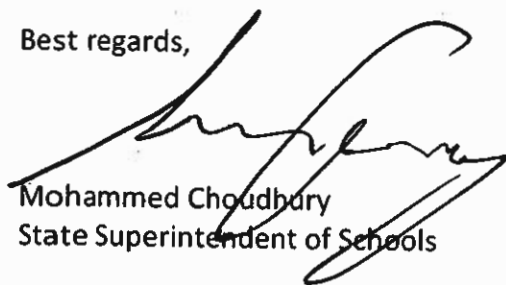
Mr. Gregory A. Hook, CPA
Legislative Auditor
Office of Legislative Audits
The Warehouse at Camden Yards
351 West Camden Street, Suite 400
Baltimore, Maryland 21201

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			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 1a	Agree	Estimated Completion Date:	December 2023
Please provide details of corrective action or explain disagreement.	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.		
Recommendation 1b	Agree	Estimated Completion Date:	December 2023
Please provide details of corrective action or explain disagreement.	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		

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	<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	
Analysis	
Please provide additional comments as deemed necessary.	<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>

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	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.		
Recommendation 2a	Agree	Estimated Completion Date:	May 31, 2023
Please provide details of corrective action or explain disagreement.	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.		
Recommendation 2b	Agree	Estimated Completion Date:	May 31, 2023
Please provide details of corrective action or explain disagreement.	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.		
Recommendation 2c	Agree	Estimated Completion Date:	May 31, 2023
Please provide details of corrective action or explain disagreement.	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.

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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			
Analysis			
<p>Please provide additional comments as deemed necessary.</p>	<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>		
<p>Recommendation 3a</p>	<p>Agree</p>	<p>Estimated Completion Date:</p>	<p>Commenced September 2022</p>

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<p>Please provide details of corrective action or explain disagreement.</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>Recommendation 3b</p>	<p>Agree</p>	<p>Estimated Completion Date:</p>	<p>January 2023</p>
<p>Please provide details of corrective action or explain disagreement.</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.

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Recommendation 3c	Agree	Estimated Completion Date:	Annually and during data collection periods
Please provide details of corrective action or explain disagreement.	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.		

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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).

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 8a	Agree	Estimated Completion Date:	See below
Please provide details of corrective action or explain disagreement.	<p>State Aided Institutions (SAI) Completion Date: September 1, 2022 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>School for At Risk Youth Estimated Completion Date: September 30, 2023 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>		

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	<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>Home Visit Program Completion Date: August 1, 2022 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>		
Recommendation 8b	Agree	Estimated Completion Date:	April 2023
Please provide details of corrective action or explain disagreement.	<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>		
Recommendation 8c	Agree	Estimated Completion Date:	See below
Please provide details of corrective action or explain disagreement.	<p>MSDE program managers will perform documented site visits in accordance with the Department’s policy and specific grant agreements.</p>		

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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.

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Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 9a	Agree	Estimated Completion Date:	Completed August 1, 2022
Please provide details of corrective action or explain disagreement.	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.		
Recommendation 9b	Agree	Estimated Completion Date:	Completed August 1, 2022
Please provide details of corrective action or explain disagreement.	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,		

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	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.		
Recommendation 9c	Agree	Estimated Completion Date:	Completed August 1, 2022
Please provide details of corrective action or explain disagreement.	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.		

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