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

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Inspector General

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**Investigative Audit 23-0001-A**

**Maryland State Department  
of Education**

**Management and Oversight  
of the Concentration of  
Poverty Grant**

February 6, 2024

# ***Executive Summary***

## ***Investigative Audit of Maryland State Department of Education - Concentration of Poverty Funds Management***

### ***Objectives:***

To determine whether grant funds are being effectively and efficiently managed, and to evaluate whether internal controls have been established at Maryland State Department of Education (MSDE) to prevent fraud, waste, and abuse of grant funds.

### ***Scope:***

Concentration of Poverty (CoP) funding provided to selected Local Education Agencies (LEA) from July 1, 2019, through January 31, 2023

### ***Recommendations and Response:***

The report contains four findings and seven recommendations to assist the MSDE in improving grant management. Responses to the recommendations will be provided by MSDE.

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

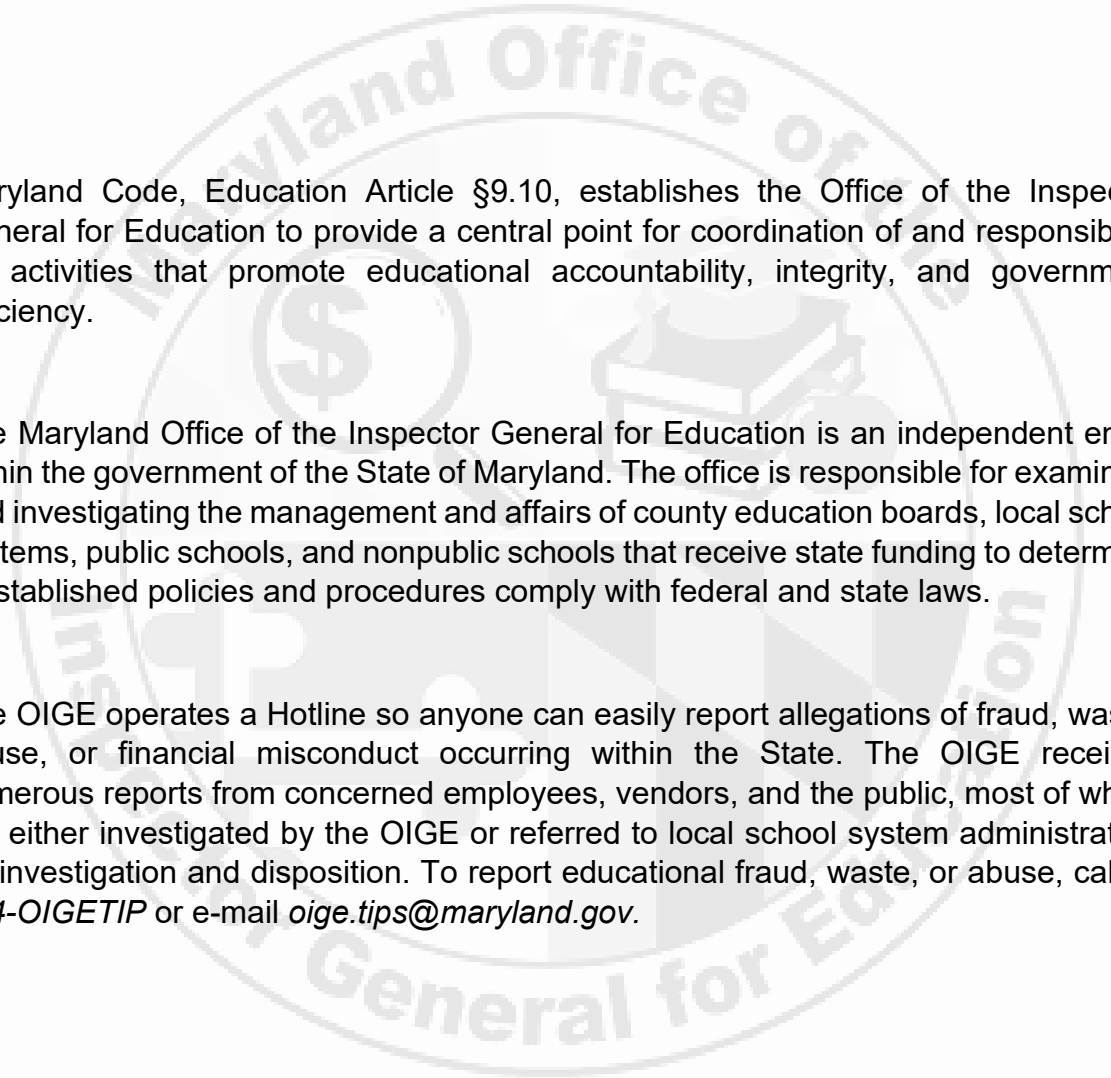
The OIGE noted a lack of policies from MSDE that govern how CoP funds can be expended, resulting in more than **\$12.3 million** in unused CoP grant funds for FYs 2020 through 2022.

LEAs have not been provided adequate and consistent training by MSDE and have used CoP funding to procure their own training.

The OIGE found LEAs were not provided with information on the handling funds that had been distributed but not spent during the grant period. The OIGE noted that approximately **\$1 million** in unspent funds had been returned to MSDE by the LEAs.

Establishing policies and procedures that include a monitoring process for CoP funds would help to ensure that funds are not misallocated as school funding is increased through the Maryland Blueprint for the Future legislation.





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 government efficiency.

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 - Concentration of Poverty Funds Management

## Table of Contents

<b>Background</b>	2
<b>Objectives</b>	7
<b>Scope</b>	7
<b>Methodology</b>	8
<b>Related OIGE Reports</b>	8
<b>Audit Results and Recommendations</b>	
<b>Finding 1</b>	9
<b>Finding 2</b>	12
<b>Finding 3</b>	13
<b>Finding 4</b>	14
<b>Audit Team</b>	16

# Investigative Audit of Maryland State Department of Education - Concentration of Poverty Funds Management

## Background

In November 2022, the Office of the Inspector General for Education (OIGE) received a complaint alleging that a Community School Manager potentially mismanaged funds budgeted for a Concentration of Poverty (CoP) eligible school, a component of the Blueprint for Maryland's Future (Blueprint). Additionally, the January 2023 Office of Legislative Audits (OLA) Report on the Maryland State Department of Education (MSDE) included a finding that MSDE has not established effective methods to ensure that Local Education Agencies (LEA) were using Blueprint funds appropriately.

After a review of publicly available information on the Blueprint components, the OIGE determined that a statewide investigative audit would address the possible risk of CoP fund mismanagement.

## Blueprint and Community Schools Legislation

In 2019, Senate Bill 1030 established a CoP grant program in Maryland to provide additional resources, support, and services for children attending Maryland schools. This grant focused on students living in communities with high poverty and crime rates and lack access to adequate health care and social services. The resources for these support services would be provided at the school and community levels. This bill defined a community school as,

*a public school that establishes a set of strategic partnerships between the school and other community resources that promote student achievement, positive learning conditions, and the well-being of students, families, and the community by providing wraparound services.*

The principal purpose of the Blueprint for Maryland's Future legislation (Blueprint) is to enrich student experiences, accelerate student outcomes, and improve the quality of education in Maryland. The Blueprint encompasses five pillars, each including key initiatives aimed at transforming the quality of education in Maryland and narrowing opportunity and achievement gaps.

The CoP grant is included in Pillar Four of the Blueprint, titled "More Resources for Students to be Successful." This pillar focuses on strengthening wraparound services, noted below, through the expansion of community schools, establishing the Maryland Consortium on Coordinated Community Supports, targeting support for students and families based on differentiated needs, establishing a workgroup on multilingual learners, and developing a funding formula based on a new measure of concentration of poverty.

The CoP grant consists of two funding categories: personnel grants and per-pupil grants.

# Investigative Audit of Maryland State Department of Education - Concentration of Poverty Funds Management

## Personnel Grant:

The personnel grant is the first portion of the CoP grant awarded to LEAs. It is a fixed amount of funding per eligible community school to hire a Community School Coordinator (CSC) and professional Healthcare Practitioner (HP). After filling these positions, an eligible school may use the remaining grant funds towards wraparound services, as noted below.

## Per-pupil Grant:

The per-pupil grant is the second portion of the CoP grant awarded to LEAs. It is calculated based on the number of students living in poverty attending the eligible community school. CoP grant funds are awarded to eligible schools with 80% or more of students receiving free or reduced meals. In FY 2023, this percentage was reduced by 5%. It will continue until it reaches 55% in FY 2027, essentially easing the eligibility of becoming a community school and allowing more schools to qualify for CoP funds.

These per-pupil CoP grant funds are to be used for a wide range of wraparound services, defined in the Blueprint as:

- (1) Extended learning time, including before and after school, weekends, summer school, and an extended school year.
- (2) Safe transportation to and from school and off-site apprenticeship programs.
- (3) Vision and dental care services.
- (4) Establishing or expanding school-based health center services.
- (5) Additional social workers, mentors, counselors, psychologists, and restorative practice coaches.
- (6) Enhancing physical wellness, including providing healthy food for in-school and out-of-school time and linkages to community providers.
- (7) Enhancing behavioral health services, including access to mental health practitioners, and providing professional development to school staff to provide trauma-informed interventions.
- (8) Providing family and community engagement and support, including informing parents of academic course offerings, language classes, workforce development training, opportunities for children, and available social services, as well as educating families on how to monitor a child's learning.
- (9) Establishing and enhancing linkages to Judy Centers and other early education programs that feed into the school.
- (10) Enhancing student enrichment experiences, including educational field trips, partnerships, and programs with museums, arts organizations, and cultural institutions.
- (11) Improving student attendance.
- (12) Improving the learning environment at the school; and

# Investigative Audit of Maryland State Department of Education - Concentration of Poverty Funds Management

(13) Any professional development for teachers and school staff to quickly identify students who are in need of these resources.

According to COMAR §9.9-104,<sup>1</sup> the CSC shall be responsible for completing an assessment of the needs ("needs assessment") of the students in the school for appropriate wraparound services to enhance their success. The needs assessment shall:

- (i) Be completed in collaboration with:
  - 1. The principal;
  - 2. A school health care practitioner; and
  - 3. A parent teacher organization or a school council;
- (ii) Include an assessment of the physical, behavioral, and mental health needs and wraparound service needs of students, their families, and their communities; and
- (iii) Be submitted to the Department (MSDE) and the local school system within 1 year of receiving a personnel grant under § 5-223 of this article or within 1 year of becoming a community school.

Additionally, the CSC is responsible for developing an implementation plan based on the needs assessment for the community school in cooperation with other interested stakeholders. The implementation plan<sup>2</sup> shall include:

- 3(i) A strategy for providing wraparound services to address the needs of the students, their families, and their communities, building on and strengthening community resources near the school;
  - (ii) Inclusion, if possible and practicable, of community partners in geographic proximity to the school that can assist in meeting the needs identified in the assessment;
  - (iii) Ensure that time is made available to train staff on the supports available, the need for the supports, and how to engage with the community schools coordinator to access these supports; and
  - (iv) Develop strategies to maximize external non-State or non-local education funding.
- (4)(i) The implementation plan shall be submitted to the local school system for approval within 1 year of completion of the needs assessment.
- (ii) After the implementation plan is approved by the local school system it shall be submitted to the Department (MSDE).

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<sup>1</sup> 2022 Maryland Statutes Education, Division II - Elementary and Secondary Education, Title 9.9 - Community Schools, Section 9.9-104 - Community School Coordinator

<sup>2</sup> Ibid b(3)

# Investigative Audit of Maryland State Department of Education - Concentration of Poverty Funds Management

CoP funding is disbursed from MSDE to the LEA and not directly to the community schools. The LEAs spend the CoP funds on the local community schools for either personnel or wraparound services, as noted above. According to the Blueprint, if the LEA has at least 40 eligible community schools,<sup>3</sup> referred to as the "40 threshold," the LEA board may pool up to half of the CoP funds and administer them centrally, allowing for the spending of CoP funds at the district level as long as a plan is developed in consultation with eligible schools. Prior to FY 2023, only Baltimore City Public Schools and Prince George's County Public Schools met the 40 threshold.

The Blueprint further notes that an eligible community school that receives outside funding (e.g., from the local health department) for a local school nurse, school health services, or community school services in fiscal year (FY) 2021 must receive at least the same level of resources in FY 2022 to safeguard those funds.

## Funding

Following Blueprint's initial legislative approval, funding was delayed due to a veto by the Governor. In anticipation of the legislation going into effect, MSDE allocated start-up funding to the LEAs to establish the Blueprint's policy framework, including funding for the CoP personnel grant. Funding was initially provided to LEAs in the form of restricted grants<sup>4</sup>, with LEAs requesting monthly reimbursements from MSDE for incurred expenditures. Beginning in FY 2023, the legislature changed the methodology by which payment of state education funds was distributed to the LEAs. This change made the definition of state funds more inclusive, incorporating CoP funds. Contemporaneously, MSDE began distributing CoP funding as automatic unrestricted payments<sup>5</sup>.

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<sup>3</sup>As of 2023, only three LEAs have over 40 schools.

<sup>4</sup> Restricted grants in education are funds designated by the State to be utilized only for specific purposes. The purpose and the time to use the funds are determined by the State, giving them assurance funds are being used per program guidelines. Grant funds are reimbursed on incurred costs.

<sup>5</sup> Unrestricted funds are funds provided to an LEA and may be used for any purpose so long as it meets the objectives outlined in the grants governing document. Grant funds generate a fund balance for current expenses, and the funds allocated to the LEA are no longer required to be placed in a restricted account.



# Investigative Audit of Maryland State Department of Education - Concentration of Poverty Funds Management

According to MSDE figures, within four years, from 2019 to 2024, MSDE allocated \$649 million in CoP grant funds alone to eligible LEAs, as shown in Exhibit A:

**Exhibit A:**

	Personnel Grant	Per-Pupil Grant	Total CoP
2019-2020	\$51 million	N/A	\$51 million
2020-2021	\$65 million	N/A	\$65 million
2021-2022	\$75 million	\$42 million	\$117 million
2022-2023	\$92 million	\$97 million	\$189 million
2023-2024	\$124 million	\$103 million	\$227 million
<b>Total</b>			<b>\$649 million</b>

*Note: MSDE – FY 24 State Aid Calculation*

The Blueprint is expected to increase annual education funding by an estimated \$3.8 billion over the next ten years. The State and Local governments will share this funding increase based on the requirement in the legislation reflecting the needs and demographics of the county or city.

As of October 2023, CoP grants were provided to 454 community schools throughout Maryland, a twenty percent increase from the 358 community schools in 2022.

### MSDE CoP Funding Process and Key Requirements

MSDE Requirements:

MSDE issues a Notice of Grant Award (NOGA) to LEAs, documenting the details of the award, including the total amount awarded and the grant period. Within the NOGA are two separate fields in which MSDE notifies an LEA that an Annual Financial Report (AFR) is required.

The overall conditions and requirements of the NOGA are acknowledged, signed, and dated by 1) an MSDE Program Representative, 2) an MSDE Financial Representative, 3) an MSDE Assistant Superintendent/Office Head, and 4) the MSDE Accounting Office.

LEA Requirements:

To receive grant funds, LEAs must report budget information for any grant using the MSDE Grant Budget C-1-25 Form at the beginning of the grant period. Both the LEA Superintendent and the LEA Finance Officer approve the C-1-25. The C-1-25 must show the budgeted expenditures for the CoP personnel and per-pupil grants for the upcoming school year.

According to the MSDE Financial Reporting Manual for Maryland Public Schools, Appendix A, the LEA populates the AFR with fiscal year's financial data to be reported to MSDE for all grants. The AFR includes critical summary information and denotes the LEA's Approved Budget, Total Expenditures (amount spent by LEA), Cash to Date (funds

# Investigative Audit of Maryland State Department of Education - Concentration of Poverty Funds Management

received by the LEA), Amount Unused (the difference in Approved Budget and Total Expenditures), and Amount Due to MSDE or to the LEA (the amount that a LEA owes back to MSDE or the additional amount that MSDE owes the LEA upon finalization). See Exhibit B below for an example of the AFR header. The AFR further provides annual financial breakdowns of how grant amounts were spent and submitted to MSDE. MSDE uses the information contained in the final AFR to reconcile each LEA grant balance.

**Exhibit B:**

Grant:	<input type="text"/>	<b>Cumulative Expenditures</b>	PCA/Fund Source
<input type="text"/>	<input type="text"/>	Local ID	<input type="text"/>
		Grant Period	Jul 1, 2020      Jun 30, 2021
<b>Summary Information:</b>		<b>Expenditures by Recipient</b>	
Approved Budget:	<input type="text"/>	Total Expenditures:	<input type="text"/>
Cash To Date:	<input type="text"/>	Encumbrances:	
Amt. Unused	0	Received Date:	Sep 21, 2021 9:29:23 AM
Check Amount:	<input type="text"/>	Type of Report:	F
Check Number	<input type="text"/>		
Amt Due MSDE/LEA	0		
Federal Administration		Non Federal Administration	Maintenance      Local Contributions
Account Code	Grant Detail Description		Detail Amount
<input type="text"/>	CE-Rev-State- Concentration of Poverty Grant		<input type="text"/>

The NOGAs issued for FYs 2020 through 2022 for CoP grants required an AFR for both CoP grants (personnel and per-pupil). As the CoP grant funding process shifted from restricted to unrestricted in FY 2023, MSDE no longer required AFRs for CoP grants.

**Objectives**

The objective of the investigative audit is to determine whether:

- 1) CoP grant funds are being effectively spent and managed to determine risk and
- 2) internal controls have been established to prevent fraud, waste, and abuse of CoP grant funds.

**Scope**

The scope of the investigative audit was CoP funding provided to eight LEAs from July 1, 2019, through January 31, 2023. The selected LEAs received CoP grant funds for at least three years and had less than 40 community schools.

# **Investigative Audit of Maryland State Department of Education - Concentration of Poverty Funds Management**

## **Methodology**

To accomplish the objective, the OIGE reviewed all relevant state policies and procedures governing grant management and reviewed submitted CoP program forms and reports from participating LEAs to MSDE and the Blueprint for Maryland's Future Accountability & Implementation Board (AIB).

The OIGE also interviewed key personnel at MSDE, LEA Central Offices, and the AIB to determine their understanding of the processes associated with the distribution and spending of CoP funds.

## **Related OIGE Reports**

In addition to the MSDE statewide review, the OIGE conducted eight concurrent investigative audits of the individual LEAs' processes regarding CoP fund management. The review included,

- Allegany County Public Schools (23-0002-A)
- Anne Arundel County Public Schools (23-0003-A)
- Baltimore County Public Schools (23-0004-A)
- Dorchester County Public Schools (23-0005-A)
- Montgomery County Public Schools (23-0006-A)
- Somerset County Public Schools (23-0007-A)
- Washington County Public Schools (23-0008-A)
- Wicomico County Public Schools (23-0009-A)

# Investigative Audit of Maryland State Department of Education - Concentration of Poverty Funds Management

## Audit Results and Recommendations

The following issues were noted during this investigative audit:

### **Finding 1: Policies and Procedures Governing the CoP Grant**

#### **Fiscal Compliance**

MSDE began allocating CoP funds to the LEAs in the summer of 2019. Blueprint earmarked personnel grants to hire or contract personnel for CSC and HP positions. After hiring CSC and HP personnel, unused or remaining personnel grant funds could be used for identified wraparound services. In the summer of 2021, MSDE began allocating additional funds to LEAs through per-pupil grants. These funds were to be used for specified wraparound services. All funds for expenditures associated with wraparound services should solely be used to enhance academic services, parental involvement programs, physical and behavioral health services, and community involvement programs tied to one of the 13 identified student services, as noted on page 3 of this report.

The OIGE met with the LEAs in scope for this investigative audit and found that the LEAs were familiar with the 13 services. However, the LEAs expressed that the overall 13 services are ambiguous, able to include nearly any purchase besides capital outlay with minimal justification. Several LEAs shared frustrations about the lack of clarification or guidance by MSDE staff about whether certain items, positions, or services could/could not be procured using CoP funding.

Specifically, LEAs advised that MSDE staff would primarily provide only verbal guidance regarding how to spend CoP funds on wraparound services, and little to no written approval or guidance was provided. LEAs informed the OIGE that they knew they were required to document justification for expenses in their needs assessment, which would be submitted to MSDE. However, they were concerned that the reasoning or justification would be insufficient if challenged or examined under stricter scrutiny (i.e., an audit).

Additionally, LEAs explained that they faced several challenges in spending the allocated CoP funds. These challenges included but were not limited to a lack of qualified applicants (for both CSC and HP positions), the unavailability of contract personnel for grant-identified positions, and what is deemed appropriate spending for wraparound services.

OIGE's review of CoP personnel grant funds used to hire critical program personnel supported LEAs' concerns regarding the availability of qualified applicants at the county level. Of the \$42.7 million allocated to the eight LEAs in scope from FY 2020 to FY 2022, more than \$10.7 million (25%) went unused. See Exhibit C for details.

# Investigative Audit of Maryland State Department of Education - Concentration of Poverty Funds Management

**Exhibit C: Personnel Grant Data by Participating Fiscal Years 2020 through 2022**

Personnel Grants	Fiscal Year	Funds Allocated	Funds Unused	% Unused
Allegany	2020	248,833	-	-
	2021	995,332	98,682	10%
	2022	995,332	120,840	12%
Anne Arundel	2020	497,666	-	-
	2021	2,239,497	362,570	16%
	2022	2,985,996	388,275	13%
Baltimore	2020	995,332	198,656	20%
	2021	2,488,330	950,435	38%
	2022	5,474,326	3,066,869	56%
Dorchester	2020	1,244,165	-	-
	2021	1,244,165	-	-
	2022	1,244,165	-	-
Montgomery	2020	1,990,664	20,474	1%
	2021	3,981,328	1,419,433	36%
	2022	4,727,827	3,306,609	70%
Somerset	2020	995,332	-	-
	2021	1,244,165	111,200	9%
	2022	1,244,165	251,629	20%
Washington	2021	1,244,165	-	-
	2022	1,741,831	474,800	27%
Wicomico	2020	1,244,165	-	-
	2021	1,492,998	-	-
	2022	2,239,497	-	-
<b>Total</b>		<b>\$42,799,276</b>	<b>\$10,770,472</b>	<b>25%</b>

For the CoP per-pupil grant, OIGE found that \$5.8 million was allocated to the eight LEAs in scope in FY2022, and nearly \$1.6 million (27%) went unused during the grant period. See Exhibit D for details.

**Exhibit D: Per-Pupil Grant Data for FY 2022**

Per-Pupil Grant FY2022	Funds Allocated	Funds Unused	% Unused
Allegany	688,934	244,319	35%
Anne Arundel	331,494	186,553	56%
Baltimore	675,436	176,935	26%
Dorchester	1,076,054	-	-
Montgomery	681,033	681,033	100%
Somerset	843,890	62,433	7%
Washington	693,793	246,251	35%
Wicomico	870,346	-	-
<b>Total</b>	<b>\$ 5,860,980</b>	<b>\$ 1,597,524</b>	<b>27%</b>

# **Investigative Audit of Maryland State Department of Education - Concentration of Poverty Funds Management**

## **District-wide positions**

As page 5 of this report notes, LEAs with at least 40 eligible community schools may pool up to 50 percent of CoP funds to administer said funds centrally. At the same time, those with less than 40 must distribute CoP funds directly through eligible schools. This 40 threshold has generally been understood to allow LEAs with 40 or more schools to create a central position, one not assigned to a community school, with CoP grant funds.

During discussions with LEAs in scope, some LEA staff expressed their frustrations about the need for district-wide positions to address the increased demands of administering the CoP funding to community schools. Because these LEAs were below the 40 threshold, they understood they could not hire such district-wide positions. However, the OIGE found CoP-funded salary expenses for district-wide positions at three of the eight LEAs below the 40 threshold. Those LEAs submitted the budget documents and expenditure reports with narratives. Other LEAs used different funding sources to add a districtwide administrative position or current staff positions had to absorb a significant increase in workload in response to this increased administrative need.

The lack of clear policies from MSDE governing how CoP funds can be expended on wraparound services and district-wide positions exposes the LEAs, MSDE, and the State of Maryland to potential misuse of grant funds. The program participants' understanding of requirements and expectations has noticeable gaps. This is evidenced by over \$12.3 million in unused CoP grant funds by the LEAs in scope for the first three years, the combined Funds Unused totals noted in Exhibit C and Exhibit D.

As an exponential increase in state and local funding is expected, based on the Blueprint and MSDE's projected formulas, MSDE must ensure that the LEAs have appropriately spent the funds already allocated. MSDE executives presented the need to increase funds to LEAs for required positions and wraparound services to the State Board of Education (SBOE) (October 26, 2021, November 18, 2022, and January 20, 2023). However, OIGE was unable to find data provided by MSDE about the substantial amount of unused funds by LEAs to the SBOE.

## **Recommendation 1**

MSDE should establish a multidisciplinary team of subject matter experts, legal counsel, and representatives from various departments to establish clear policies and procedures governing CoP grant management. MSDE should consider engaging stakeholders, such as AIB and LEAs, in this process. MSDE should consider utilizing consultants in the creation of these policies and procedures. This team should prioritize developing and revising policies and procedures based on criticality and relevance. This team should be in place no later than June 1, 2024.

# Investigative Audit of Maryland State Department of Education - Concentration of Poverty Funds Management

## Recommendation 2

MSDE should ensure these policies and procedures are regularly reviewed, maintained, and disseminated to the MSDE and LEA stakeholders. MSDE should establish an annual or bi-annual review process to ensure that policies and procedures remain current, applicable, and relevant. This process should include input from all program stakeholders to ensure continuous improvement, enhance program efficiency, and mitigate risk management.

## **Finding 2: CoP Grant Management Training**

Maryland Code, Education §9.9-103 establishes a Director of Community Schools (DOCS) position at MSDE. The DOCS is responsible for coordinating professional development for community school coordinators at each community school.

This critical program position was filled from January 2020 through August 2022 when an Interim DOCS employee assumed the duties from October 2022 to March 2023. Afterwards, it was vacant for approximately 6 months (March 2023 through September 2023). OIGE learned through discussions with various LEAs that there was a lack of consistent communication and training from MSDE about community school programs, regardless of whether the DOCS position was filled or vacant at MSDE.

The OIGE obtained and reviewed MSDE training files prepared by the previous DOCS from January 2020 through the summer of 2022. These files indicated that the previous DOCS had created various proposed community school training materials, including PowerPoint slides, playbooks, and templates for the LEAs' needs assessment and implementation plans. However, MSDE could not provide documentation announcing training, virtual or email invitations, recorded video conferencing, or other documentation demonstrating that training materials were shared with LEAs. MSDE's inability to provide this documentation made it difficult for OIGE staff to evaluate LEAs' access to training materials or the quality and relevancy of the training offered to LEAs. Some LEAs had difficulty deeming what wraparound expenses were an appropriate use of CoP funds. This contributed to the \$12.3 million in unused CoP grant funds by the LEAs in scope for the first three years, the combined Funds Unused totals noted in Exhibit C and Exhibit D.

The OIGE conducted on-site interviews and reviewed a sample of LEA expenditures for the eight LEAs in scope. The OIGE noted expenses for consultants to train the LEAs on community schooling concepts and to provide practical strategies to create a community school. During this investigative audit, some LEA staff expressed frustrations at the lack of adequate CoP training and guidance from MSDE. To address this deficiency in MSDE's training, the OIGE found that LEAs used their allocated CoP grant funds to pay for their own training. For example, in August 2020, one LEA entered into a 5-year, \$4.1 million

# Investigative Audit of Maryland State Department of Education - Concentration of Poverty Funds Management

contract to receive continued technical support in implementing a community school strategy.

OIGE found that the LEAs included these training expenses on both the C-1-25 budget form at the beginning of the year and the AFR expenditure report at the end of the year. The DOCS, the MSDE employee responsible for training, does not receive either of these completed forms from the LEAs as they are not involved in the approval process. When queried about the LEAs' use of CoP funds to pay for said training, MSDE senior programmatic staff were unaware and alarmed that such transactions had occurred, suggesting it had the potential for duplicative training efforts.

LEAs appropriately reported these training costs to MSDE, but MSDE did not have any follow-up questions regarding these expenses. This absence of follow-up appears to be attributable to MSDE's lack of adequate controls regarding LEAs' submitted reports and expenditures.

### **Recommendation 3**

MSDE should develop a strategy for communicating the Recommendation 1 policies and procedures to all continuing eligible CoP schools. MSDE should implement training programs regarding updated policies and procedures to ensure schools' comprehension and adherence.

### **Finding 3: Overall Monitoring of CoP Grant Expenditures**

The January 2023 OLA audit of MSDE noted that "MSDE did not ensure LEAs used Blueprint funds in accordance with the purposes established by State law." As previously stated, MSDE requires LEAs to submit both the C-1-25 budget form at the beginning of the year and the AFR expenditure report at the completion of the year. According to MSDE, there was no review of LEA's specific expenditures, as both documents show LEA's total costs in defined, high-level categories (e.g., Salaries, Equipment, Supporting Materials, etc.), and details are not included. Detailed expenses are neither included nor required in these required submissions.

In response to the OLA audit, MSDE agreed to engage an independent audit firm to test the propriety of Blueprint grant expenditures in FY 2020 and FY 2021 on a sample basis. OIGE noted a contractor agreement with a financial services company to:

*...provide financial and performance audit services to conduct desk reviews of annual comprehensive financial statements submitted by local education agencies (LEA), on an as-needed basis, and to conduct a performance audit to provide assurance that LEA Blueprint grant fund expenditures were expended for the intended purposes.*



# Investigative Audit of Maryland State Department of Education - Concentration of Poverty Funds Management

The audit contract began in September 2023 and ends in September 2024, outside the scope of OIG's investigative audit. Therefore, OIG did not evaluate any of the external audit work.

## **Recommendation 4:**

In conjunction with Recommendations 1 through 3, MSDE should establish mechanisms for monitoring and enforcing compliance with policies and procedures. MSDE should clearly define roles and responsibilities to ensure accountability.

## **Recommendation 5:**

MSDE should establish an ongoing audit of the LEAs' Blueprint expenses and practices and compliance with the developed policies. MSDE should consider incorporating the internal audit group to conduct periodic reviews of submitted program expenditures. MSDE should share the results of these audits with LEAs to support program compliance, increase spending consistency awareness, and limit program risk management.

## **Finding 4: Returned CoP Funds**

OIG reviewed the eight LEAs in scope final AFR submissions and noted approximately \$1 million in unused program funds. MSDE provided these funds to the LEAs, but the LEAs did not use them during the grant period. The OIG was informed by MSDE's Office of Policy Analysis and Fiscal Compliance that an MSDE financial senior executive decided to allow LEAs to keep a "reasonable balance" because the MSDE senior financial executive believed the funds belonged to the schools. The OIG understands "reasonable balance" as an undefined and non-legislative standard MSDE uses.

The OIG could not obtain any verification, supporting documentation, or policy guidance indicating MSDE had shared this decision with the LEAs or any part of the AIB Blueprint oversight process. Furthermore, the OIG requested transactional information from MSDE Operations. This information would confirm if these funds had been invoiced or received by MSDE. Regrettably, MSDE neither provided this information nor confirmed if a policy or procedure existed to address the collection of funds returned to MSDE by LEAs.

Through a review of final AFRs, OIG found that four of the eight LEAs in scope had nearly 1.1 million dollars of CoP grant funds from FY 2020 to FY 2022 that were unspent. As noted on page 6, the AFRs note the Amount Due to MSDE or to the LEA (the amount that an LEA owes back to MSDE or the additional amount that MSDE owes the LEA upon finalization).

The approaches taken by the four LEAs revealed notable inconsistencies in addressing whether to return unspent CoP funds from FY2020-FY2022. Specifically, one LEA did not

# Investigative Audit of Maryland State Department of Education - Concentration of Poverty Funds Management

return any of the unspent CoP funds, while two LEAs returned the entire amount of the unspent CoP grant funds. OIGE was unable to verify the actions taken by a fourth LEA regarding unspent CoP grant funds.

A substantial portion, \$995,770, of the \$1.1 million of unspent CoP funds was returned to MSDE by the LEAs. See Exhibit E for details.

**Exhibit E:**

LEA	Year	Amount Due to MSDE from LEA	Restricted CoP Funds Returned by LEA to MSDE	Date
Baltimore	2021	35,029	*	Unable to Confirm
	2022	20,718	*	Unable to Confirm
Montgomery	2020	20,747	20,747	5/31/2023
	2021	397,950	397,950	5/31/2023
	2022	206,652	206,652	5/31/2023
Somerset	2022	57,291	-	
Washington	2022	345,903	345,903	7/27/2023
<b>Total</b>		<b>\$1,084,018</b>	<b>\$995,770</b>	

*\* The OIGE was unable to review FMIS data for these LEAs*

Without well-documented policies and procedures, decision-making has been arbitrary and inconsistent. Despite OIGE being unable to determine if the decision to let funds remain with the school was appropriate, OIGE was able to determine that MSDE had not provided guidance to LEAs on whether there was a requirement to return the unused funds.

**Recommendation 6:**

In conjunction with Recommendations 1 through 4, MSDE should establish, in a documented policy, procedures governing the receipt and accountability of unused, unspent, and returned program funds from LEAs.

**Recommendation 7:**

The OIGE would recommend exploring the option of temporarily pausing specific finance and program activities. This pause will provide an opportunity to reevaluate priorities, streamline processes, and ensure that initiatives fully align with the state’s long-term goals and make strategic moves that optimize resources.

# Investigative Audit of Maryland State Department of Education - Concentration of Poverty Funds Management

## Audit Team

**Georgia Conroy, CIGA**

Supervisory Inspector General for Investigative Audits

**Donna Pennewill**

Investigative Auditor

**Susan Roepcke**

Investigative Auditor



February 1, 2024

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's (MSDE) response to the Maryland Office of the Inspector General for Education's (OIGE) Investigative Audit of the Management and Oversight of the Concentration of Poverty grant. The MSDE is committed to continuously improving its processes and internal controls and is greatly appreciative of your team's efforts in assisting the Agency to achieve this objective. The Agency also appreciates the cooperative working relationship with your office.

Should you have any questions, please contact the Office of Audits on 410-767-0103.

Best regards,



Dr. Carey Wright  
Interim State Superintendent of Schools

Enclosure

c: Krishnanda Tallur, Deputy State Superintendent for Office of Finance and Operations  
Patricia Ramallosa, Director of Audits



**MARYLAND OFFICE OF THE  
INSPECTOR GENERAL FOR EDUCATION**

Richard P. Henry  
*Inspector General*

Yvonne Brooks  
*Deputy Inspector General*

**Investigative Audit Recommendation Response Form**

Investigative Audit Number: 23-0002-A

Investigative Audit Title: Management and Oversight of the Concentration of Poverty Grant

**Recommendation 1:** MSDE should establish a multidisciplinary team of subject matter experts, legal counsel, and representatives from various departments to establish clear policies and procedures governing CoP grant management. MSDE should consider engaging stakeholders, such as AIB and LEAs, in this process. MSDE should consider utilizing consultants in the creation of these policies and procedures. This team should prioritize developing and revising policies and procedures based on criticality and relevance. This team should be in place no later than June 1, 2024.

**MSDE Response:**

<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>
Concur	The Maryland State Department of Education’s (MSDE) CoP Program Manager is coordinating the development of policies and procedures governing CoP grant management with an emphasis on those which MSDE deems most critical and relevant. The development of these policies and procedures commenced during November 2023 in collaboration with the Local Education Agencies (LEAs). A draft of these procedures will be shared with the Accountability and Implementation Board. The final procedures are targeted for implementation on March 1, 2024.	Partially Implemented	March 1, 2024

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

**Recommendation 2:** MSDE should ensure these policies and procedures are regularly reviewed, maintained, and disseminated to the MSDE and LEA stakeholders. MSDE should establish an annual or bi-annual review process to ensure that policies and procedures remain current, applicable, and relevant. This process should include input from all program stakeholders to ensure continuous improvement, enhance program efficiency, and mitigate risk management.

**MSDE Response:**

<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>
Concur	MSDE’s CoP Program Manager is coordinating the development of an annual review process with a target date of June 1, 2024, and implementation date of July 1, 2024. This process will incorporate feedback from program stakeholders to foster ongoing enhancement, increase program efficiency, and improve risk management. MSDE’s annual review will verify that practices remain up-to-date, suitable, and in alignment with changes in legislation. Finally, MSDE’s CoP Manager will be responsible for distributing any updated procedures to all relevant parties within MSDE and the LEAs within a timely manner.	Not Yet Implemented.	July 1, 2024

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

**Recommendation 3:** MSDE should develop a strategy for communicating the Recommendation 1 policies and procedures to all continuing eligible CoP schools. MSDE should implement training programs regarding updated policies and procedures to ensure schools’ comprehension and adherence.

**MSDE Response:**

<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>
Concur	MSDE’s CoP Program Manager is developing a communication strategy for dissemination of the policies and procedures outlined in Recommendation 1 to all continuing eligible CoP schools. The strategy's development commenced in November 2023 and is targeted for completion on March 1, 2024. In this regard, MSDE’s CoP Program Manager will communicate to the LEAs on a timely basis all legislative changes which affect MSDE’s CoP policies and procedures.	Not Yet Implemented	March 1, 2024

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

**Recommendation 4:** In conjunction with Recommendations 1 through 3, MSDE should establish mechanisms for monitoring and enforcing compliance with policies and procedures. MSDE should clearly define roles and responsibilities to ensure accountability.

**MSDE Response:**

<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>
Concur	MSDE’s CoP Program Manager is coordinating the development of policies and procedures for monitoring and enforcement of CoP policies and procedures. These policies and procedures will clearly define roles and responsibilities to ensure accountability. Development of these procedures commenced on January 26, 2024, and are targeted for completion and implementation on March 1, 2024.	Partially Implemented	March 1, 2024

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



**Recommendation 5:** MSDE should establish an ongoing audit of the LEAs’ Blueprint expenses and practices and compliance with the developed policies. MSDE should consider incorporating the internal audit group to conduct periodic reviews of submitted program expenditures. MSDE should share the results of these audits with LEAs to support program compliance, increase spending consistency awareness, and limit program risk management.

**MSDE Response:**

<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>
Non-Concur	<p>Recommendation 5 contains three issues.</p> <p>Issue 1. MSDE has engaged an independent firm to perform an audit of Blueprint grant expenditures. The contract commenced in September 2023 and will terminate in September 2024. The independent firm is developing an audit program listing audit procedures to be performed. This audit program includes verification of the allowability of grant expenditures incurred from FY2020 to FY2023.</p>		
Non-Concur	<p>Issue 2 Commencing FY2023, MSDE’s Office of Audit’s State Aid Unit began performing a review of expenditures for three Blueprint Programs: the <b>Concentration of Poverty</b>, Prekindergarten, and College and Career Readiness Programs. A State Aid Audit is performed for each of the 24 LEAs once every three years and CoP testing is performed for each LEA that qualified for CoP funding during the three year auditing cycle. This is accomplished by selecting and testing a sample</p>		

Concur	<p>of expenditures charged to CoP grants during the prior fiscal year.</p> <p>Issue 3 LEAs are made aware of any non-allowable expenditures detected during a State Aid audit via a finding in their State Aid audit report. Also, the reports of the independent firm who has been engaged to test the allowability of CoP expenditures will be provided to the LEAs once the audits are completed.</p>	Partially Implemented	On Going
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\*If applicable, please include attachments that may provide better context regarding planned corrective actions.

**Recommendation 6:** In conjunction with Recommendations 1 through 4, MSDE should establish, in a documented policy, procedures governing the receipt and accountability of unused, unspent, and returned program funds from LEAs.

**MSDE Response:**

<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>
Concur	The Office of Finance (OOF) is developing a comprehensive policy which will outline the procedures for the receipt, management, and accountability of unused, unspent, and returned funds from LEAs. This includes guidelines for holding funds in a restricted account, conditions for their usage in the following school year, and reporting requirements. The target date for developing the policy is June 1, 2024. The target date for providing training to the LEA's is July 1, 2024.	Not Implemented	July 1, 2024

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

**Recommendation 7:** The OIGE would recommend exploring the option of temporarily pausing specific finance and program activities. This pause will provide an opportunity to reevaluate priorities, streamline processes, and ensure that initiatives fully align with the state’s long-term goals and make strategic moves that optimize resources.

**MSDE Response:**

<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>
Non-Concur	MSDE does not concur with this recommendation as it is required to implement all aspects mandated by Maryland Education Article 5-223.		

\*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*

Yvonne K. Brooks, Esq.  
*Deputy Inspector General*

February 6, 2024

**MEMORANDUM**

Dr. Carey Wright  
Interim State Superintendent of Schools  
Maryland State Department of Education  
200 West Baltimore Street  
Baltimore, Maryland 21201

RE: OIGE Investigative Audit Case 23-0001-A: The Management and Oversight of the Concentration of Poverty Grant

The Maryland Office of the Inspector General for Education (OIGE) appreciates the Maryland State Department of Education's (MSDE) detailed responses to the recommendations within the Investigative Audit of the Management and Oversight of the Concentration of Poverty (CoP) Grant. The response indicates a commitment to improving processes and procedures that will increase the efficacy of CoP expenditures.

Although MSDE is mandated to distribute CoP grant funds per Ed. Art. §5-223, MSDE maintains a fiduciary obligation to the citizens of Maryland regarding the funding methodology used when distributing grant funding to local education agencies (LEAs). As part of our investigative audit, crucial programmatic issues were identified when legislation changed the disbursement of grant funds from restricted (accountable expenditures) to unrestricted (unaccountable spending). During our investigative audit, LEAs did not express any issues about the timing of the disbursement of CoP funds; the OIGE found that several LEAs had returned unused funds to MSDE, indicating they could not spend them. The lack of policies and procedures governing unused funds, coupled with the change to unrestricted accountability, has allowed LEAs to no longer track financial expenditures.

Nevertheless, some statements in MSDE's response require clarification based on evidence found during the investigative audit. Please see below.

- **MSDE Statement:** MSDE has engaged an independent firm to perform an audit of Blueprint grant expenditures. The contract commenced in September 2023 and will terminate in

September 2024. The independent firm is developing an audit program listing audit procedures to be performed. This audit program includes verification of the allowability of grant expenditures incurred from FY2020 to FY2023.

Commencing FY2023, MSDE's Office of Audit's State Aid Unit began performing a review of expenditures for three Blueprint Programs: the Concentration of Poverty, Prekindergarten, and College and Career Readiness Programs. A State Aid Audit is performed for each of the 24 Local Education Agencies (LEA) once every three years and CoP testing is performed for each LEA that qualified for CoP funding during the three year auditing cycle. This is accomplished by selecting and testing a sample of expenditures charged to CoP grants during the prior fiscal year. (Recommendation 5)

- **OIGE Clarification:** The OIGE would encourage MSDE to continue to engage the independent firm to audit Blueprint grant expenditures beyond the contract termination in September 2024.

As part of our investigative audit, the OIGE met with MSDE's Office of Audit (OA) personnel in October 2023. This meeting was to understand the OA's role and responsibilities associated with monitoring expenditures related to CoP grants. During this meeting, the OIGE was advised that the only aspect or requirement of the OA's CoP funding review was that of the CoP Personnel Grant position descriptions associated with the Community School Coordinator and professional Healthcare Practitioner. When queried if the OA reviewed any expenditures related to CoP Per Pupil Grant funding amounts, the OA responded, "No."

Based on this information and the OA's roles and responsibilities, the OIGE believes that the State Aid audit referenced in MSDE's response will not ensure that LEAs are using CoP grant funds in accordance with State law.

Thank you for your support and understanding throughout the investigative audit process. Please feel free to Ms. Georgia Conroy, Supervisory Inspector General for Investigative Audits, at (443) 721-6234 or email at [georgia.conroy@maryland.gov](mailto:georgia.conroy@maryland.gov) if you or your staff have any questions or concerns.

Respectfully,



Richard P. Henry  
Inspector General

Cc: Clarence C. Crawford, President, Maryland State Board of Education  
Krishnanda Tallur, Deputy State Superintendent for the Office of Finance and Operations  
Patricia Ramallosa, Director of Audits  
Elliott L. Schoen, Esq, Assistant Attorney General, Principal Counsel for MSDE  
Members of the State Board of School Education