



**DEPARTMENT OF LEGISLATIVE SERVICES**  
**OFFICE OF LEGISLATIVE AUDITS**  
**MARYLAND GENERAL ASSEMBLY**

**Karl S. Aro**  
Executive Director

November 18, 2010

**Bruce A. Myers, CPA**  
Legislative Auditor

Senator Edward J. Kasemeyer, Acting Chairman  
Senate Budget and Taxation Committee  
Miller Senate Office Building, 3 West Wing  
11 Bladen Street  
Annapolis, MD 21401

Delegate Norman H. Conway, Chairman  
House Appropriations Committee  
House Office Building, Room 121  
6 Bladen Street  
Annapolis, MD 21401

Dear Senator Kasemeyer and Delegate Conway:

In the April 2010 *Joint Chairmen's Report* (page 123), the committees directed the Office of Legislative Audits (OLA) to review Maryland State Department of Education (MSDE) assessment contracts and related documents. The narrative further requested that a report on our review be submitted to the budget committees by December 1, 2010.

MSDE contracts with several firms to provide various testing services for the Maryland School Assessments (MSA) and the Maryland High School Assessments (HSA). The MSA tests reading, mathematics, and science achievement. The reading and mathematics tests are administered annually to students in grades three through eight; the science test is administered annually in grades five and eight. The HSA tests achievement in algebra/data analysis, biology, English, and government, and are based on Maryland's high school Core Learning Goals. These assessment contracts and related expenditures each span several testing and fiscal years.

According to the *Analysis of the Fiscal Year 2011 Maryland Executive Budget* prepared by the Department of Legislative Services – Office of Policy Analysis (OPA), MSDE often encumbered millions of dollars in general funds at the end of the fiscal year to cover certain expected assessment contract expenses in the coming year. In the budget for fiscal year 2008, the General Assembly made a reduction to align MSDE appropriations with expenditures for assessments. Further, in the 2009 session, budget bill language directed MSDE to submit, along with copies of executed assessment contracts, a cash flow schedule for fiscal years 2009, 2010, and 2011 indicating the amounts owed for assessment contracts each year. We understand that OPA was unable to reconcile the MSDE cash flow schedule with assessment contract amounts budgeted for fiscal years 2010 and 2011.

November 18, 2010

The specific request made of OLA in the April 2010 *Joint Chairmen's Report*, required that OLA review assessment contracts and related documents and identify the amount owed, by month, for each contract currently in effect as relates to the Division of Accountability and Assessments Program (R00A01.04). Given the nature of the contracts and the related payment process, coupled with the contract lengths spanning a number of future years, we consulted extensively with OPA staff about the scope of our review, and with that clarification, we focused our review on MSDE's projected cash flows for fiscal year 2011.

To facilitate our review, MSDE provided us with its projected 2011 monthly cash flow schedule, as of August 17, 2010, for assessment contracts budgeted in the Division of Accountability and Assessments (Program R00A01.04). According to MSDE's schedule, there were five contracts with three vendors to provide various testing services for the MSA and HSA, with expected cash flow (contract payments) of \$40,677,004 during fiscal year 2011, including \$1,470,865 related to an estimate for contracts that had not yet been procured (see Exhibit A attached). With the exception of these estimated costs, we reconciled the MSDE-prepared cash flow schedule to related vendor fee schedules associated with each assessment contract or subsequent addenda. Because of the nature of the request, and subsequent OPA clarification, we did not do the following:

- verify assessment contract costs that were charged to other budgetary programs or amounts related to contracts that had not been procured as of August 17, 2010,
- compare expected cash flows to amounts appropriated or to remaining contract balances, and
- verify the propriety of any possible future deficiency requests or encumbrances to be made by MSDE related to these assessment contracts.

The scope of our review was less than that of an audit conducted in accordance with generally accepted government auditing standards.

I trust this information is in response to your request and will prove useful in future MSDE budget deliberations.

Sincerely,

Bruce A. Myers, CPA  
Legislative Auditor

Senator Edward J. Kasemeyer, Acting Chairman -3-  
Delegate Norman H. Conway, Chairman

November 18, 2010

cc: Senator Verna L. Jones, Co-Chair, Joint Audit Committee  
Delegate Steven J. DeBoy, Sr., Co-Chair, Joint Audit Committee  
Joint Audit Committee Members and Staff  
Senator Thomas V. Mike Miller, Jr., President of the Senate  
Delegate Michael E. Busch, Speaker of the House of Delegates  
Governor Martin J. O'Malley  
Comptroller Peter V.R. Franchot  
Treasurer Nancy K. Kopp  
Attorney General Douglas F. Gansler  
Secretary T. Eloise Foster, Department of Budget and Management  
Nancy S. Grasmick, Ph.D., State Superintendent of Schools, Maryland State Department of  
Education  
James H. DeGraffenreidt, Jr., President, Maryland State Board of Education  
John E. Smeallie, Ed.D., Deputy State Superintendent for Administration, Maryland State  
Department of Education  
Karl S. Aro, Executive Director, Department of Legislative Services

## EXHIBIT A

### MSDE Assessment Contracts Monthly Cash Flow Schedule Fiscal Year 2011

	July 2010	August 2010	September 2010	October 2010	November 2010	December 2010	January 2011	February 2011	March 2011	April 2011	May 2011	June 2011	FY 2011 Total
<b>Maryland School Assessment - Reading and Math Grades 3 through 8</b>													
2010 Test	\$0	\$0	\$2,412,842	\$0	\$0	\$314,114	\$0	\$0	\$0	\$0	\$0	\$0	<b>\$2,726,956</b>
2011 Test	\$0	\$348,872	\$0	\$0	\$0	\$1,756,070	\$0	\$0	\$0	\$4,355,804	\$0	\$4,801,627	<b>\$11,262,373</b>
<b>Maryland School Assessment - Science Grades 5 and 8</b>													
2010 Test	\$1,276,990	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	<b>\$1,276,990</b>
2011 Test	\$88,539	\$173,639	\$124,182	\$94,578	\$99,702	\$138,578	\$557,226	\$337,355	\$224,362	\$369,926	\$293,566	\$389,581	<b>\$2,891,234</b>
<b>Maryland School Assessment - Alternate MSA (for students with significant cognitive disabilities)</b>													
2010 Test	\$86,930	\$145,911	\$20,911	\$20,911	\$74,525	\$0	\$0	\$0	\$0	\$0	\$0	\$0	<b>\$349,188</b>
2011 Test	\$85,010	\$90,888	\$361,115	\$95,588	\$146,587	\$227,187	\$226,429	\$240,678	\$519,712	\$418,662	\$997,387	\$239,642	<b>\$3,648,885</b>
2012 Test	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$389,780	<b>\$389,780</b>
<b>High School Assessment - Algebra/Data Analysis, Biology, English, and Government</b>													
2009-10 Test	\$343,277	\$291,208	\$190,923	\$168,459	\$279,148	\$430,137	\$0	\$0	\$0	\$0	\$0	\$0	<b>\$1,703,152</b>
2010-11 Test	\$536,747	\$1,004,235	\$1,111,495	\$965,319	\$908,584	\$2,214,646	\$1,119,983	\$1,081,642	\$883,748	\$884,885	\$793,635	\$2,096,442	<b>\$13,601,361</b>
2011-12 Test	\$0	\$0	\$0	\$0	\$0	\$0	\$28,719	\$35,808	\$54,864	\$266,906	\$394,741	\$426,860	<b>\$1,207,898</b>
<b>High School Assessment - Algebra/Data Analysis, Biology, English, and Government *</b>													
2008-09 Test	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
2009-10 Test	\$37,586	\$36,912	\$36,912	\$36,912	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	<b>\$148,322</b>
2010-11 Test	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Subtotal</b>	<b>\$2,455,079</b>	<b>\$2,091,665</b>	<b>\$4,258,380</b>	<b>\$1,381,767</b>	<b>\$1,508,546</b>	<b>\$5,080,732</b>	<b>\$1,932,357</b>	<b>\$1,695,483</b>	<b>\$1,682,686</b>	<b>\$6,296,183</b>	<b>\$2,479,329</b>	<b>\$8,343,932</b>	<b>\$39,206,139</b>
Projected Expenditures for 2012 Tests for Maryland School Assessments – Reading and Math (\$1,024,825), and Science (\$446,040)**													\$1,470,865
<b>Total</b>	<b>\$40,677,004</b>												

\* Contract was for hand scoring constructive responses, such as essays, an element of the test that has been phased out.

\*\* Amounts were based on MSDE estimates because the related contracts had not yet been procured; accordingly, they were excluded from our review.

Source: MSDE, assessment contracts, and related documents