

# Financial Management Practices Audit Report

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## **Calvert County Public Schools**

January 2022

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

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MARYLAND GENERAL ASSEMBLY

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Legislative Auditor

January 25, 2022

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

Ladies and Gentlemen:

We conducted an audit of the financial management practices of the Calvert County Public Schools (CCPS) in accordance with the requirements of the State Government Article, Section 2-1220(e) of the Annotated Code of Maryland. The objectives of this audit were to evaluate whether CCPS' procedures and controls were effective in accounting for and safeguarding its assets and whether its policies provided for the efficient use of financial resources.

Our audit disclosed that CCPS' procurement policies were not sufficiently comprehensive and were not always consistently used when obtaining goods and services under intergovernmental cooperative purchasing agreements. Furthermore, we found that certain components of the payments to bus contractors did not reflect actual costs or could not be supported.

Our audit also disclosed that CCPS needs to improve internal controls and accountability in certain areas, including payroll processing, information systems, and health care claims and fee processing. For example, CCPS did not ensure that employee access to its automated financial management system applications, such as procurement, accounts payable, human resources, and payroll, was properly restricted resulting in numerous employees with unnecessary or incompatible access capabilities. Additionally, CCPS did not ensure critical human resources and payroll transactions were independently reviewed for propriety. Specifically, the processing of new hires, other earnings transactions (including leave payouts),

and rate increases were not subject to independent review and comparison to supporting documentation.

In addition, certain security and control risks that existed within CCPS' computer network. For example, sensitive personally identifiable information was maintained without adequate safeguards and identification, and the CCPS computer network was not properly secured. In this regard, certain servers having increased security risk were located in CCPS' internal network rather than being isolated in a separate protected zone to minimize security threats.

Finally, based on our current audit assessment of significance and risk to our audit objectives, our audit included a review to determine the status of 8 of the 12 findings contained in our preceding audit report. CCPS satisfactorily addressed 2 of the 8 prior findings we reviewed. The remaining 6 findings are repeated in this report.

We conducted our audit fieldwork from October 1, 2020 to June 2, 2021. Our fieldwork was conducted during a period in which the local education agencies were impacted by the COVID-19 pandemic health crisis. Specifically, beginning on March 16, 2020, the State Superintendent of Schools decided to close school and administrative buildings to employees and the public for a two-week period. This was eventually extended for the remainder of the 2019-2020 school year with limited access by certain employees. All CCPS facilities were open during the entire period of our fieldwork and, as a result, the objectives and scope of our audit were not impacted. To the extent that the COVID-19 crisis continues to impact CCPS operations, certain recommendations in this report may need to be adjusted to ensure proper controls under the modified operations.

CCPS' response to this audit is included as an appendix to this report. We reviewed the response and noted agreement to our findings and related recommendations, and while there are other aspects of CCPS' response which will require further clarification, we do not anticipate these will require the Joint Audit and Evaluation Committee's attention to resolve. Finally, we have edited CCPS' response to remove certain vendor names or products and certain detailed information regarding information systems security, as allowed by our policy.

We wish to acknowledge the cooperation extended to us during our audit by

CCPS and its willingness to address the audit issues and to implement appropriate corrective actions.

Respectfully submitted,

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

Gregory A. Hook, CPA  
Legislative Auditor



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\* Denotes item repeated in full or part from preceding audit report



## Background Information

### Statistical Overview

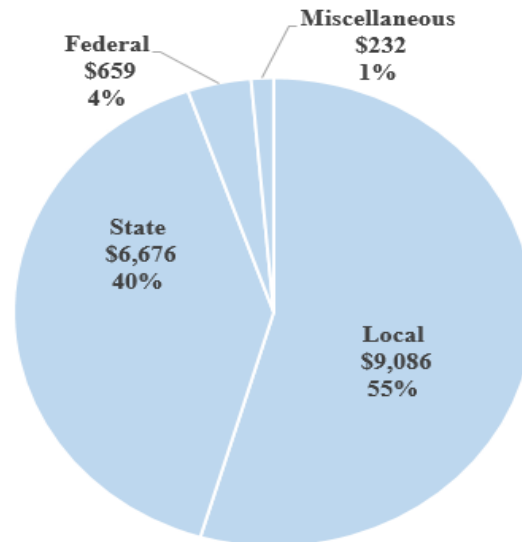
#### Enrollment

According to student enrollment records compiled by the Maryland State Department of Education (MSDE), Calvert County Public Schools (CCPS) ranks 13<sup>th</sup> in student enrollment among the 24 public school systems in Maryland. Fiscal year 2020 full-time student enrollment was 16,022 students. CCPS had 25 schools, consisting of 13 elementary schools, 6 middle schools, 4 high schools, and 2 other types of schools (vocational and special education).

#### Funding

CCPS revenues consist primarily of funds received from Calvert County, the State, and the federal government. According to CCPS' audited financial statements, revenues from all sources totaled approximately \$266.8 million in fiscal year 2020; including approximately \$107.0 million from the State. See Figure 1 below for CCPS' revenue sources per enrolled student in fiscal year 2020 according to its audited financial statements.

**Figure 1**  
**CCPS Revenue Sources Per Enrolled Student**  
**Fiscal Year 2020**

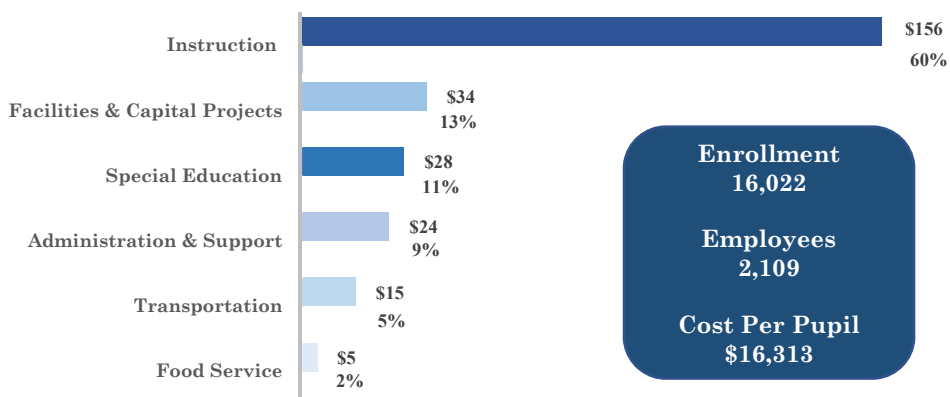


Source: CCPS' Fiscal Year 2020 Audited Financial Statements and MSDE Data

## Expenditures

According to CCPS' audited financial statements, fiscal year 2020 expenditures were approximately \$261.4 million. The largest expenditure category was salaries and wages, including benefits, which accounted for approximately 75 percent of total expenditures during fiscal year 2020. According to MSDE records, during the 2019-2020 school year, CCPS had 2,109 full-time equivalent positions, which consisted of 1,444 instructional and 665 non-instructional positions. Instruction accounted for over half of CCPS' expenditures on a categorical basis (see Figure 2).

**Figure 2**  
**CCPS Expenditures by Category and Selected Statistical Data**  
**Fiscal Year 2020**  
**(amounts in millions)**



Source: CCPS' Fiscal Year 2020 Audited Financial Statements and MSDE Data

## Oversight

CCPS is governed by a local school board, consisting of five elected voting members and one non-voting student member. The State and the Calvert County government provide the vast majority of CCPS funding. In addition, MSDE exercises considerable oversight through the establishment and monitoring of various financial and academic policies and regulations, in accordance with certain provisions of the Annotated Code of Maryland. MSDE also works with CCPS to comply with the requirements and mandates of federal law. The Calvert County government exercises authority over CCPS primarily through the review and approval of CCPS' annual operating and capital budgets.

## External Audits

CCPS engages a certified public accounting firm to independently audit its annual financial statements. The firm performs procedures to verify the amounts and disclosures in the financial statements. The firm also evaluates the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. In the related audit reports, the firm stated that the financial statements presented fairly, in all material respects, the financial position of CCPS as of June 30, 2016, 2017, 2018, 2019, and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Additionally, in accordance with *Government Auditing Standards*, as part of the audited financial statements the accounting firm also issued separate reports on CCPS' control over financial reporting and its tests of CCPS' compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. This report is an integral part of the annual independent audited financial statements. Furthermore, the accounting firm also conducts the Single Audit of CCPS' federal grant programs. The Single Audit is intended to provide assurance to the federal government that adequate internal controls are in place, and the entity is generally in compliance with program requirements.

We reviewed the aforementioned financial statement audits and Single Audit reports for fiscal years 2016 through 2020, and examined the related work papers for the fiscal year 2020 audits, which were the latest available during our audit fieldwork.

Certain work of the independent certified public accounting firm, which we determined was reliable, covered areas included in the scope of our audit. As a result, we did not conduct any audit work related to the following areas:

- State and local government revenues received via wire transfer
- Accounts receivables
- Federal grant activity
- Student Activity Funds

The independent accounting firm did not disclose any material deficiencies in these areas.

## **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 8 of the 12 findings contained in our preceding audit report dated July 20, 2016. As disclosed in Figure 3, we determined that CCPS satisfactorily addressed 2 of these findings. The remaining 6 findings are repeated in this report.

**Figure 3**  
**Status of Preceding Findings**

<b>Preceding Finding</b>	<b>Finding Description</b>	<b>Implementation Status</b>
Finding 1	Adequate accountability and control had not been established, as collections were not recorded and checks restrictively endorsed immediately upon receipt, collections were not properly secured, and certain collections were not subject to independent deposit verification.	Not repeated
Finding 2	CCPS had not established a process to periodically assess the propriety of the capabilities assigned to users on its automated procurement and accounts payable system; consequently, several employees had incompatible or unnecessary system capabilities.	<b>Repeated</b> (Current Finding 4)
Finding 3	Human resources and payroll system user access capabilities were not monitored, and payroll transaction review procedures were inadequate, as certain necessary automated or manual controls to ensure the propriety of transactions processed were not in place.	<b>Repeated</b> (Current Findings 3 and 4)
Finding 4	Personal service contracts that provided unique employment benefits to five executive employees valued at \$500,000 were executed without Board approval as required by State law.	Not repeated (Not followed up on)
Finding 5	CCPS equipment policies were not comprehensive because they did not address requirement for tagging equipment, specifically the frequency of physical inventories, and account for all non-capitalized sensitive equipment.	Not repeated (Not followed up on)
Finding 6	CCPS network domain account and password controls did not meet certain best practice standards and certain accounts unnecessarily had full access to the student information database. Security event monitoring was insufficient.	Not repeated
Finding 7	The CCPS intrusion detection prevention system was not used to scan all appropriate network traffic and 20 publicly accessible servers were improperly located in the internal network.	<b>Repeated</b> (Current Finding 7)
Finding 8	Workstations and servers were not sufficiently protected against malware.	<b>Repeated</b> (Current Finding 6)
Finding 9	Certain elements used to determine payments to bus contractors did not consider market conditions, actual costs, or available discounts, resulting in higher payments than necessary for student transportation services.	<b>Repeated</b> (Current Finding 8)
Finding 10	Cashiers in school cafeterias could void transactions on their automated cash register systems without independent review and approval.	Not repeated (Not followed up on)
Finding 11	CCPS lacked documentation to substantiate that the cash register closeout process was subject to supervisory review.	Not repeated (Not followed up on)
Finding 12	CCPS did not ensure the propriety of employee and retiree health care claims paid, nor verify the stop-loss insurance was correctly applied and plan administrative fees were properly charged.	<b>Repeated</b> (Current Finding 9)

## **Findings and Recommendations**

### **Revenue and Billing Cycle**

#### **Background**

Calvert County Public Schools (CCPS) revenues consist primarily of funds received from Calvert County, the State, and the federal government. According to CCPS' audited financial statements, revenues from all sources totaled approximately \$266.8 million in fiscal year 2020; including approximately \$107.0 million from the State.

#### **External Audits**

There were similarities between the work of the independent certified public accounting firm that audited the CCPS financial statements and the objectives of our audit of certain revenue activities. As a result, we relied on this work to provide audit coverage for State and local government revenues received via wire transfer and accounts receivable, for which the auditor's procedural review and testing disclosed no material weaknesses or significant deficiencies.

#### **School Activity Funds**

Schools collect funds for other purposes such as student activities, clubs, and school publications. Because they are not considered school revenue, these school activity funds are accounted for separately by each school, and reported in summary in the audited financial statements. During fiscal year 2020, school activity collections totaled \$3.7 million and the June 30, 2020 fund balance was \$2.0 million.

CCPS' Board of Education (the Board) has a fiduciary responsibility to ensure that school activity funds were used only for intended purposes. CCPS contracts with an independent certified public accountant (CPA) to conduct annual reviews of all school activity funds on a rotating basis. The results of the CPA's reviews were provided to CCPS management to be addressed. Our review of the CPA's findings during fiscal years 2016 through 2020 generally found the management of these funds to be adequate and that any control weaknesses identified were not prevalent. The CPA's testing did not identify any improprieties in regards to the use of funds.

#### **Conclusion**

Based on our current assessment of significance and risk relative to our audit objectives, we relied on the work of others to provide audit coverage in this area including procedures and controls related to the accounting for and safeguarding of cash receipts with respect to revenue and billing. Specifically, we considered

the work performed by the independent certified public accounting firm and reviews of school activity funds performed by the CPA.

## **Federal Funds**

### **Background**

CCPS receives funds pertaining to federal government programs that are generally restricted for use for a specific program (such as the School Lunch Program or Special Education). According to CCPS' Single Audit, fiscal year 2020 expenditures totaled \$9.8 million, not including federally funded fee-for-service programs such as Medicaid reimbursement for special education services.

### **Single Audit Reports Disclosed No Material Weaknesses Regarding Federal Grant Management**

There were similarities in the work performed by the independent certified public accounting firm that conducted the Single Audits of CCPS' federal grants and the objectives of our audit in this area. In addition to expressing an opinion on CCPS' compliance with the terms of several grant programs, the auditor also considered the existing internal control structure's impact on compliance and audited the required Schedules of Expenditures of Federal Awards (which includes claimed and reported grant expenditures) for fiscal years 2016 to 2020.

The related reports stated that CCPS complied, in all material respects, with the requirements applicable to its major federal programs. With respect to internal controls over compliance with, and the operation of, major federal programs, the auditor identified two significant deficiencies that were not considered material weaknesses for fiscal year 2020. CCPS generally agreed to take action to correct the deficiencies such as revising procedures for performing and documenting physical inventories of equipment and documenting the approval of substitute teacher work hours.

### **Medicaid Funds for Eligible Services**

CCPS has established a procedure to identify children eligible for Medicaid-subsidized services and the services rendered. Medicaid is an entitlement program for which certain service costs can be reimbursed to CCPS. Medicaid activity is not covered by the Single Audit of federal grants.

The Maryland State Department of Education's Interagency Medicaid Monitoring Team issued a report in August 28, 2020 of the results of its review of 42 student case files for 80 criteria (including the correct billing of Medicaid for eligible services). The report found that CCPS was 100 percent compliant with 65 criteria

and 0 percent compliant with 3 criteria (related to a waiver for autism for one student) and between 79 to 99 percent compliant with the remaining 12 criteria. According to CCPS records, fiscal year 2020 state and federal reimbursements for Medicaid-subsidized services totaled approximately \$519,000.

### **Conclusion**

Based on our current assessment of significance and risk relative to our audit objectives, our audit did not include a review of Medicaid subsidized services. Further, we relied on the work of the independent certified public accounting firm that conducted the Single Audits for all other work in the federal funds area, including policies, procedures, and controls with respect to federal grants and expenditures.

## **Procurement and Disbursement Cycle**

### **Background**

According to the audited financial statements and CCPS records, disbursements (excluding payroll) totaled \$66.7 million during fiscal year 2020. CCPS uses an automated system for purchases and disbursements. Requisitions are created in the system by departments and are subject to on-line departmental approvals. Purchase orders are automatically prepared on the system as a result of the departmental requisition approvals. The purchasing department generally handles the solicitation, bid evaluation, and establishment of contracts. The receipt of goods and services is confirmed by the receiving school or department. Payments are processed by the finance department through the automated system, which either prints vendor checks or transfers the funds electronically and then posts the payment to the financial records.

CCPS' written procurement policies require that procurements exceeding \$25,000 be competitively bid. Contracts and agreements exceeding \$25,000 are to be approved by the Board.

### **Finding 1**

**CCPS procurement policies did not incorporate certain requirements of State law and recognized best practices when participating in intergovernmental cooperative purchasing agreements (ICPA). In addition, ICPA invoices were not always verified to related price lists.**

### **Analysis**

Certain requirements of State law and recognized best practices were not incorporated into CCPS policies and were not used consistently by CCPS when



participating in an ICPA. Specifically, our review of CCPS procurement policies disclosed that the following statutory requirement and critical best practices were not included.

- Prepare a written assessment of the benefits of using an ICPA, as required by State law
- Analyze all costs of conducting competitive solicitations
- Research, compare, and evaluate available ICPAs
- Verify ICPA has a clause allowing utilization by other parties
- Verify the ICPA solicitation was competitively bid and publicly advertised and obtain originating agency's competitive procurement documentation (including public advertisements and proposal evaluations)
- Verify terms, scope of services, specifications, and price meet the entity's needs
- Execute an addendum of participation with the lead contract agency and remove or incorporate necessary local terms and conditions
- Obtain a copy of the ICPA and related price lists for invoice verification

We tested CCPS' participation in seven ICPAs (selected based on significance) during fiscal years 2019 through 2021 with contract awards totaling approximately \$8.6 million. Our review disclosed that CCPS did not have a written assessment of the benefits of using an ICPA for any of the ICPAs tested, as required by State law. In addition, two of the seven best practices (analyzing the costs of conducting competitive solicitations and researching, comparing, and evaluating other available ICPAs) were not performed for any of the ICPAs tested and at least one of the remaining five best practices was not performed for five of the seven ICPAs.

Incorporating the statutory requirement and best practices into CCPS policies could help ensure they are consistently used when goods and services are obtained under an ICPA. In this regard, best practices for allowing utilization by other parties, verifying terms and scope, and executing addendums of participation were incorporated into six of the seven ICPAs we reviewed, but were not included in CCPS' policies.

CCPS also did not ensure that amounts invoiced by ICPA vendors agreed with the related contract pricing. Specifically, our test of eight payments totaling \$930,000 related to six of the aforementioned ICPAs disclosed that for three payments totaling \$288,000, CCPS had either not obtained the price lists from the lead agency or had not obtained manufacturer price information to verify it was being charged the rates, or receiving the discounts, stated in the governing ICPA. In addition, the invoices for five payments totaling \$642,000 were not sufficiently

detailed or contained differing product descriptions and could not be verified to inclusion in the ICPA.

State law, which legal counsel to the Maryland General Assembly advised us is applicable to local education agencies, allows the use of cooperative purchasing arrangements or ICPAs only after the using entity has determined (or assessed) in writing that the use of such arrangements will provide cost benefits, promote administrative efficiencies, or promote intergovernmental cooperation<sup>1</sup>.

Furthermore, the Institute for Public Procurement, formerly known as the National Institute of Government Purchasing, as well as other public and educational organizations have published ICPA best practices. These practices include comprehensive multi-step checklists that require, among other things (as per the list above), that prospective ICPA users verify that the contract allows other entities to participate. In addition, ICPA users should ensure that the contract was awarded through a competitive procurement process, and requires that addendums be executed documenting their participation and incorporating local required terms and conditions.

### **Recommendation 1**

#### **We recommend that CCPS**

- a. incorporate the aforementioned statutory requirement and other identified and acknowledged best practices into its procurement policies, and ensure that the performance of the requirement and best practices is documented when evaluating the participation in ICPAs; and**
- b. ensure that amounts invoiced by ICPA vendors agreed with the related contract pricing.**

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<sup>1</sup> Section 13-110 of the State Finance and Procurement Article, of the Annotated Code of Maryland in part, defines an intergovernmental cooperative purchasing agreement (ICPA). As defined, an ICPA is a contract that is entered into by at least one governmental entity in a certain manner, that is available for use by the governmental entity entering the contract and at least one additional governmental entity, and that is intended to promote efficiency and savings that can result from intergovernmental cooperative purchasing. The aforementioned law applies to all ICPAs regardless of the services, goods, or commodities purchased. In addition, Section 5-112(a)(3) of the Education Article, of the Code provides that local education agencies do not need to conduct competitive procurements for goods and commodities if they use a contract awarded by public agencies or intergovernmental purchasing organizations and the originating procuring agency followed public bidding procedures.

**Finding 2**

**CCPS did not always obtain Board approval for purchases exceeding \$25,000 as required by its policy, and its automated system did not have controls to prevent certain purchases from bypassing requirements for competitive bidding and Board approval.**

**Analysis**

CCPS did not always obtain Board approval for purchases exceeding \$25,000 as required by its policy, and its automated system did not have controls to prevent certain purchases from bypassing requirements for competitive bidding and Board approval.

- CCPS did not obtain required Board of Education approval for certain purchases. Specifically, our test of 10 purchases totaling \$8.9 million, made during the period from fiscal year 2017 to fiscal year 2021, disclosed that 4 purchases (3 intergovernmental cooperative purchasing agreements and 1 sole source) totaling approximately \$6.6 million were not approved by CCPS' Board as required by its policy. Of the 10 purchases tested, 7 were intergovernmental cooperative purchasing agreements, 1 was a sole source contract, and 2 were competitive bid contracts. Our selection of test items was based on the materiality of total vendor payment activity during the audit period, procurements just below approval thresholds, and procurements resulting from the COVID-19 state of emergency.

Additionally, CCPS did not obtain required Board approval for any of its 24 student transportation contracts. Although the contracts were approved by the Superintendent, CCPS' procurement policies do not exempt student transportation services contracts from Board review and approval. According to CCPS records, payments to bus contractors totaled approximately \$13.2 million in fiscal year 2020.

- CCPS' automated financial management system did not have automated controls to prevent purchases that are delegated to individual departments and schools from bypassing important procurement processes. Once requisitions were approved by two department or school employees, they automatically converted into finalized purchase orders regardless of their value. Consequently, there was no mechanism to identify purchases that exceed the required \$25,000 threshold, which required competitive bidding and Board approval.

According to CCPS records, it approved 212 purchase orders totaling \$44.7 million (each exceeding \$25,000) during fiscal year 2020.

## **Recommendation 2**

### **We recommend that CCPS**

- a. obtain Board approval for purchases that exceed \$25,000 as required by its policy, including the purchases noted above; and**
- b. establish system controls to ensure that delegated purchase orders comply with its procurement policies for competitive bidding and Board approval requirements.**

## **Human Resources and Payroll**

### **Background**

Payroll expense represents the largest single cost component in the CCPS budget. According to CCPS' records, fiscal year 2020 salary, wage, and benefit costs totaled \$194.7 million, representing approximately 75 percent of the total expenditures. According to Maryland State Department of Education reports, during the 2019-2020 school year CCPS had 2,109 full-time positions, which consisted of 1,444 instructional positions and 665 non-instructional positions.

CCPS uses automated systems to maintain human resources information, record employee time, track leave usage, and process and record payroll transactions. Leave for full time employees is approved by supervisors in a time management system which is then uploaded to the payroll system to create electronic bi-weekly time records, and any adjustments are processed by central payroll personnel. Manual timesheets are used to record overtime hours, which are approved by supervisors prior to processing by central payroll personnel.

### **Finding 3**

**CCPS did not ensure critical human resources and payroll transactions were independently reviewed for propriety.**

### **Analysis**

CCPS did not ensure critical human resources and payroll transactions entered in the system were independently reviewed for propriety. Specifically, the processing of new hires, other earnings transactions (including leave payouts), and rate increases were not subject to independent review and comparison to supporting documentation. Although we were advised that system reports were produced for certain transactions, the employees that reviewed the reports were not independent of the payroll process. Our tests of 10 employee additions or terminations, 10 other earnings transactions totaling approximately \$420,000, and 10 salary increases totaling approximately \$197,000 did not disclose any inappropriate transactions.

A similar condition regarding the lack of supervisory review and approval of critical transactions was commented upon in our two preceding audit reports.

### **Recommendation 3**

**We recommend that CCPS perform a documented independent supervisory review of human resources and payroll transactions entered in the system to appropriate supporting documentation, at least on a test basis (repeat).**

## **Equipment Control and Accountability**

### **Background**

According to CCPS' audited financial statements, the undepreciated value of its capital equipment inventory was \$10.4 million as of June 30, 2020. CCPS maintains centralized automated records for equipment with a cost of \$5,000 or more (including assets capitalized for financial statement purposes). In addition, CCPS' Department of Information Technology maintains inventory records of certain computer hardware assigned to schools, students, and employees.

### **Conclusion**

Based on our current assessment of significance and risk relative to our audit objectives, our audit did not include a review of policies, procedures, and controls with respect to the equipment area of operations.

## **Information Technology**

### **Background**

The CCPS Department of Information Technology maintains and administers CCPS' computer network and computer operations and supports major information system applications. CCPS operates a wide area network, with internet connectivity, which connects the individual schools' local networks to the computer resources located at the CCPS headquarters. The Department of Information Technology maintains a computer room at the headquarters location in which numerous computer servers operate to support CCPS information system applications. CCPS operates a finance application that includes modules for payroll, human resources, accounts payable, fixed assets, and purchasing and a student information application that includes modules for grades, student demographics, attendance, scheduling, and discipline.

**Finding 4**

**CCPS did not ensure employee access to its automated financial management system applications was appropriate and adequately controlled resulting in employees with unnecessary or incompatible access.**

**Analysis**

CCPS did not ensure employee access to modules on its automated financial management system applications (such as, purchasing, account payable, human resources, and payroll) was appropriate and adequately controlled resulting in employees with unnecessary or incompatible access. Although we were advised by CCPS management that it periodically reviewed employee access, the review has not been formally documented since August 2017 and did not include an assessment of whether employees had incompatible or unnecessary access.

Our test of certain critical procurement and accounts payable access capabilities assigned to 11 employees disclosed 4 employees had the ability to process disbursements and update vendor information without independent review and approval. Furthermore, our test of certain critical human resource and payroll access capabilities assigned to 19 other employees disclosed 4 employees who processed payroll transactions that had unnecessary access to human resources functions including changing pay rate information and personnel data. As a result, these employees could improperly process accounts payable or human resource/payroll transactions and such transactions would not be readily detected.

A similar condition regarding incompatible system access to human resources and payroll capabilities has been commented upon in our two preceding audit reports.

**Recommendation 4**

**We recommend that CCPS**

- a. periodically perform a documented review of employee access capabilities to ensure all access is appropriate and incompatible duties are segregated (repeat); and**
- b. correct any improper capabilities or control issues, including those noted above.**

**Finding 5**

**Sensitive personally identifiable information was maintained without adequate safeguards and being identified.**

**Analysis**

Sensitive personally identifiable information (PII) was maintained without adequate safeguards and being identified. CCPS operated a computer system which contained a significant amount of sensitive PII. As of January 5, 2021, we noted that this system's database included a significant number of unique sensitive information records which were maintained in a manner that made the information vulnerable to improper disclosure. CCPS personnel also advised us that this sensitive PII was not subject to other substantial mitigating security controls.

Furthermore, CCPS had not performed an inventory of its systems to identify all stored sensitive PII, determined if it was necessary to retain the PII, and deleted PII identified as unnecessary. Detailed aspects of this finding were omitted from this report; however, the related detailed information, including a sensitive information record count, was previously shared with CCPS for purposes of implementing the following recommendation.

Best practices as prescribed by the State of Maryland *Information Technology Security Manual* require that agencies protect confidential data using adequate safeguards and/or other substantial mitigating controls.

**Recommendation 5**

**We recommend that CCPS**

- a. implement appropriate information security safeguards for its stored sensitive PII; and**
- b. perform an annual inventory of all of its systems, identify all sensitive PII, and delete all unnecessary PII.**

**Finding 6**

**CCPS did not have malware protection software installed for 46 of 126 of its servers, and multiple password controls for certain applications and the internal computer network were not sufficient.**

**Analysis**

CCPS' malware protection controls for servers and multiple password controls for certain applications and the internal computer network were not sufficient.

- As of March 2021, our review determined that 46 of 126 servers did not have malware protection software installed. Best practices within the State of Maryland's *Information Security Policy* require that agencies, at a minimum, must protect against malicious code (viruses, worms, Trojan horses) by implementing anti-malware solutions that, to the extent possible, include a capability for automatic updates. A similar condition was commented upon in our preceding audit report.
- Multiple password controls over CCPS' internal network and its financial and student information systems were not in accordance with best practices as specified by the State's *Information Technology Security Manual*. For example, password complexity, minimum age, and expiration were either not enforced or did not provide a sufficient level of security for various groups of accounts used for accessing CCPS' network or critical applications.

#### **Recommendation 6**

**We recommend that CCPS**

- a. ensure that malware protection software is installed and maintained on all servers (repeat); and**
- b. establish password controls over its internal network, financial and student information system applications that comply with the recommended controls prescribed by the State's *Information Technology Security Manual*.**

#### **Finding 7**

**Certain servers were improperly located within the internal network, intrusion detection prevention system coverage did not exist for untrusted encrypted traffic, and remote access to the internal CCPS network by faculty, staff, and students used a single authentication measure rather than the more secure multi-factor authentication.**

#### **Analysis**

CCPS' computer network had certain insecure elements. The following three conditions affected network security.

- Certain servers were not properly isolated in a separate protected network zone from the CCPS internal network to minimize security risks. These servers, by their nature and lack of proper isolation, created unnecessary security risk for the internal network. Best practices in the State of Maryland *Information Technology Security Manual* include placing such servers in an external protected zone to protect those servers as well as the entity's internal



network. Detailed aspects of this finding were omitted from this report; however, the related information was previously shared with CCPS for the purposes of implementing appropriate corrective actions. A similar condition was commented upon in our preceding audit report.

- Intrusion detection prevention system (IDPS) coverage did not exist for untrusted encrypted traffic entering the CCPS network. CCPS operated network appliances having integrated IDPS, which had the capability to decrypt and analyze encrypted network traffic received; however, this feature was not enabled. Additionally, server (host-based) intrusion prevention system coverage did not exist for this untrusted encrypted traffic. We identified several firewall rules that allowed encrypted traffic from any source to numerous CCPS internal network destinations without IDPS coverage. This absence of IDPS coverage creates a network security risk as the untrusted encrypted traffic could contain undetected malicious data. Best practices in the State of Maryland *Information Technology Security Manual* require protection against malicious code and attacks by using IDPS to monitor system events, detect attacks, and identify unauthorized use of information systems and/or confidential information. A similar condition was commented upon in our preceding audit report.
- We determined that remote access by faculty, staff, and students to CCPS' internal network, using a virtual private network (VPN) connection, required a stronger security authentication measure than was in place during the audit. CCPS personnel advised us that approximately 18,000 individuals across the above user categories had such VPN-based remote network access capability.

These remote VPN connections into CCPS' internal network did not require multi-factor authentication (MFA) for establishing access. Instead, access was provided based upon only single factor authentication. MFA uses two or more different credential factors to authenticate user network connections. Access to critical networks and resources requires layers of security protections, which include use of MFA, to help prevent security risks tied to compromised user credentials. Best practices, as specified in the State of Maryland *Information Technology Security Manual*, require Maryland agencies to ensure that MFA mechanisms are employed for all remote access to networks.

## **Recommendation 7**

**We recommend that CCPS**

- a. isolate servers, as appropriate, in a separate protected network zone to limit security exposures to the internal network segment (repeat);**

- b. perform a documented review and assessment of its network security risks and identify how IDPS coverage should be applied to its network for all untrusted traffic, including encrypted traffic, and implement this coverage (repeat); and**
- c. implement multi-factor authentication for remote VPN connections into the CCPS network by all users.**

## **Facilities Construction, Renovation, and Maintenance**

### **Background**

CCPS employs a staff of 218 employees to maintain 25 schools (including vocational and special education) and a number of other facilities (such as administrative and support offices). According to its fiscal year 2021 Capital Improvement Plan, necessary construction, major renovations, and systemic improvements to CCPS' facilities over the next six years are estimated to cost approximately \$118 million.

### **CCPS Capital Projects Were Properly Approved and Related Expenditures Were Generally Properly Supported**

Our review of the two highest dollar value construction-related procurements awarded during fiscal years 2017 and 2019 totaling \$72.4 million disclosed that both contracts were competitively procured and properly approved by the Board. In addition, our test of four invoices totaling \$7.4 million for these contracts disclosed that the invoices were properly supported and the amounts invoiced were in accordance with contract terms.

### **Processes are in Place to Promote Ongoing Facility Maintenance and to Minimize Energy Costs**

CCPS has processes in place to promote ongoing facility maintenance and to minimize energy costs. For example, CCPS provides preventive maintenance of its buildings and equipment to prevent emergency repairs. In addition, CCPS reviews utility billings to monitor energy usage and related costs. CCPS also has written policies that encourage both students and employees to be aware of and limit their energy use. CCPS participates in various programs with the local utility companies such as the Demand Response Program that reduces energy usage during various non-peak periods, like the summer months, and the EMPOWER program whereby CCPS receives rebates for the installation of eligible energy efficient equipment.

## **Conclusion**

Our audit did not disclose any significant deficiencies in the design or operation of CCPS' internal control over the facilities construction, renovation, and maintenance financial-related areas of operations reviewed. Our audit also did not disclose any significant instances of noncompliance with applicable laws, rules, or regulations.

## **Transportation Services**

### **Background**

According to statistics compiled by the Maryland State Department of Education (MSDE), CCPS has approximately 15,606 students eligible to receive student transportation service. CCPS reported that 3.3 million route miles were traveled to transport students for the 2018-2019 school year and 2.3 million route miles for the 2019-2020 school year. The decline in route miles was attributed to students not requiring transportation during virtual learning as a result of COVID-19. These students were transported using 138 contractor-owned buses. According to CCPS financial records, fiscal year 2019 transportation costs totaled \$14.7 million with \$12.9 million (88 percent) representing payments for the contracted bus services and fiscal year 2020 transportation costs totaled \$14.8 million with \$13.2 million (89 percent) representing payments for the contracted bus services.

CCPS bus contracts are for the 12-year service life of the contractor's buses, subject to the Board's right to terminate the contract for various reasons (such as, available funding, cause, contractor insolvency, termination of routes to reduce or consolidate routes). As noted in Figure 4 below, payments to bus contractors consist of several components, primarily including hourly reimbursements for drivers, a per-mile maintenance fee, and fuel costs. Additional components include a per-vehicle allotment (PVA) intended as reimbursement for the cost of purchasing a bus and a flat rate for return on investment, reimbursement for non-routine bus trips such as field trips and athletic events, an operations fee that represents a reimbursement of certain administrative costs (such as bus driver training, physicals, and drug testing), and other costs such as the fee for spare buses, contributions to the benefit trust, and driver sick leave reimbursement.

**Figure 4**  
**Cost Components for Bus Contractor Payments**  
**Fiscal Year 2019\***  
**(dollar amounts in millions)**

Cost Component	Amount	
Reimbursements for Drivers Hourly Rates	\$4.7	36%
Maintenance Fee and Fuel Costs	\$4.5	35%
Per-vehicle Allotment (PVA)	\$1.9	15%
School Activities (Field Trips, Athletics) and Summer School	\$0.7	5%
Operations Fee	\$0.6	5%
Other Costs - Spare Buses, Benefit Trust Contribution, Driver Sick Leave	\$0.5	4%
<b>Total</b>	<b>\$12.9</b>	

\* Fiscal year 2019 was used for our analysis since it represented a full year of bus operations, whereas bus operations for fiscal year 2020 were shortened due to the onset of the COVID-19 pandemic in March 2020 that led to school closures, virtual learning, and the decline in student transportation services.

Source: CCPS Records

## **Finding 8**

### **Certain elements of the payments to bus contractors could not be supported.**

#### **Analysis**

Certain elements of the payments to bus contractors could not be supported. Based on the 3.3 million route miles traveled, during the 2018-2019 school year, the CCPS cost per mile for transporting students was 22 cents per mile higher (\$4.43) than the average cost per mile for four other similarly sized school systems (\$4.21).

- CCPS could not support the appropriateness of the estimated \$3.3 million it paid to bus contractors for per-mile bus maintenance costs (\$0.99 per mile) during fiscal year 2019. The per-mile bus maintenance cost is intended to fund the expenses incurred by the bus contractors for maintaining the bus. A similar condition was commented upon in our preceding report.
- CCPS could not document how it determined the reasonableness of administrative costs, known as the operations fee, annually paid to bus contractors. According to CCPS records, operations fee payments for all

contractors totaled \$575,000 during fiscal year 2019. The operations fee is intended to reimburse the bus contractors for administrative costs and this amount has increased since 2014 without any documented estimates to support the basis for the fee or the increases to the fee.<sup>2</sup> A similar condition was commented upon in our preceding report.

- The standard contract language used by CCPS for its bus contracts did not include a right to audit provision. Such a provision would allow CCPS to verify the contractors' actual costs of purchasing and maintaining the buses when negotiating the PVA, plus hourly reimbursements for drivers, the per-mile maintenance fee, fuel costs, and the annual administrative fees. The State of Maryland has established a preference in regulation that all contracts require contractors to make their records available for audit by authorized representatives of the State at all reasonable times.

### **Recommendation 8**

#### **We recommend that CCPS**

- a. use actual documented maintenance costs, cost studies, or independently derived estimates for establishing contractor rates for per-mile maintenance costs (repeat),**
- b. document the reasonableness of the annual administrative costs (operations fee) paid to contractors (repeat), and**
- c. include provisions to audit the bus contractors in future contracts and use it to determine the actual cost of operating contractor buses.**

## **Food Services**

### **Background**

According to CCPS' audited financial statements, food service operating expenditures totaled \$4.7 million in fiscal year 2020, and were primarily funded with federal funds totaling \$1.6 million and food sales totaling \$3.0 million. According to CCPS records, in fiscal year 2020 CCPS had 116 food service positions for its 25 schools, consisting of 108 cafeteria positions and 8 administrative positions.

According to MSDE records, 19.5 percent of CCPS students qualified for free and reduced-price meals as of October 31, 2019.

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<sup>2</sup> Contractors receive differing annual operations fee payments based on the year that their bus was placed into service (\$1,501 for buses placed into service prior to fiscal year 2014; \$5,464 for buses placed into service between fiscal years 2014 and 2018; \$7,780 or \$7,926 for buses placed into service after fiscal year 2019 with the higher amount for special education buses).

## **Conclusion**

Based on our current assessment of significance and risk relative to our audit objectives, our audit did not include a review of policies, procedures, and controls with respect to the Food Service financial area of operations.

## **School Board Oversight**

### **Background**

The Calvert County Board of Education (the Board) is composed of five elected adult members and one non-voting student member. As noted in the Background Information section, the Board contracted with a certified public accounting firm for independent audits of the CCPS financial statements and federal programs. The Board does not have any of its own committees. However, a citizen advisory committee was established, which meets with the Board periodically and serves as a channel for public concerns.

### **CCPS Adopted an Ethics Policy that Met the Requirements of State Law**

The CCPS Board has adopted a detailed ethics policy that conforms to State Law and was approved by the State Ethics Commission. The policy is applicable to both Board members and CCPS employees and includes provisions for conflicts of interest and financial disclosures by Board members and certain employees. Specifically, annual financial disclosure statements are required to be filed by Board members, candidates for the Board, the Superintendent, and other administrators (assistant superintendents, executive directors, directors, and school principals) by April 30<sup>th</sup> of each year.

In accordance with the policy, CCPS established an Ethics Panel consisting of three members appointed by the Board to interpret ethics policies and provide advice on policy implementation. The Panel also reviews and rules on any reported complaints of ethics violations. Our review of the records for Board members and CCPS employees required to submit financial disclosure forms for calendar year 2019 disclosed that all forms were submitted as required.

### **Conclusion**

Our audit did not disclose any reportable conditions related to school board oversight.

## Management of Other Risks

### Healthcare Background

CCPS is self-insured and ultimately covers the cost of the medical services received by its employees, dependents, and retirees. CCPS negotiates contracts with a third-party administrator (TPA) firm for health care claims processing services for employee and retiree medical, vision, dental, pharmacy costs, and for stop-loss insurance coverage. CCPS pays the TPA a monthly subscription charge based on the number of participants and their medical coverage, and an administrative fee. The monthly payment also includes the stop-loss insurance, which indemnifies CCPS against health insurance claim amounts that exceed \$300,000 per participant per plan year (as of the 2020-2021 plan year).

Medical providers submit claims to the TPA who pays them on behalf of CCPS. In a year-end settlement process, for the plan year ending June 30th, the TPA nets the amount of medical claims it paid, and related fees, excess stop-loss amounts and rebates, against the monthly subscription charges billed to and paid by CCPS to determine any excess amount due from or to be reimbursed to either party.

CCPS contracts with a consultant to help manage the health plans. The consultant assisted CCPS with the procurement of its TPA contract, performs data analysis of the health services utilization and costs, provides recommendations on potential rate changes, evaluates the merits of the health plan proposals, reconciles paid claims to the year-end settlements, and determines the reasonableness of stop-loss costs paid by the TPA.

As of April 1, 2021, CCPS health insurance benefits were provided to approximately 6,700 enrolled employees, dependents, and retirees. According to TPA records, during the 2019-2020 contract year health care payments totaled \$24.9 million, including \$1.5 million for administrative fees and \$815,000 for stop-loss insurance coverage.

### **Finding 9**

**CCPS did not audit or adequately verify the propriety of health care claims, insurance premiums and administrative fees paid to the TPA, and the eligibility of enrolled dependents.**

### **Analysis**

CCPS did not audit or adequately verify the propriety of health care claims, insurance premiums, and administrative fees paid to the TPA, and the eligibility of enrolled dependents.

- CCPS did not audit the medical claims paid on its behalf by the TPA to ensure that the services were actually provided, covered by the health plans, appropriately priced, and accurately reported on the year-end settlement. Furthermore, CCPS did not receive detailed claims data from the TPA to verify the propriety of the aforementioned items and accuracy of the year-end settlement. The State of Maryland's Office of Personnel Services and Benefits administers self-insured health plans for State employees and contracts for comprehensive reviews of claims paid by plan administrators. A similar condition was commented upon in our preceding audit report.
- CCPS did not adequately compare the number of plan participants billed by the TPA against its own records to ensure that administrative fees and premiums paid by CCPS were for enrolled plan participants. Specifically, the comparison performed by CCPS did not include retiree plan participants and only focused on employment changes noted in the CCPS records. A similar condition was commented upon in our preceding audit report.
- CCPS did not ensure all enrolled dependents were eligible to participate in the CCPS health plan. Although CCPS had established dependent eligibility verification procedures and enrollment documentation criteria, CCPS had not performed a dependent eligibility audit since 2010 to identify previously enrolled dependents that were no longer eligible to be plan participants.

We have noted that certain other local school systems utilize their independent health plan consultants to aid in the performance of the aforementioned actions.

## **Recommendation 9**

### **We recommend that CCPS**

- conduct audits of the propriety of health care claims paid, and ensure documentation is obtained supporting amounts reported on the year-end settlement by the TPA (repeat);**
- perform documented comparisons of its records of enrolled participants to TPA invoices and contract rates to determine the propriety of premiums and administrative fees billed (repeat); and**
- conduct unannounced periodic audits of enrolled dependents to ensure that previously enrolled dependents were still eligible to be enrolled in the plans.**



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

We conducted a performance audit to evaluate the effectiveness and efficiency of the financial management practices of the Calvert County Public Schools (CCPS). We conducted this audit under the authority of the State Government Article, Section 2-1220(e) of the Annotated Code of Maryland, and performed it 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.

We had two broad audit objectives:

1. Evaluate whether the CCPS procedures and controls were effective in accounting for and safeguarding its assets.
2. Evaluate whether the CCPS policies provided for the efficient use of financial resources.

In planning and conducting our audit of CCPS, we focused on 11 major financial-related areas of operations as approved on December 6, 2016 by the Joint Audit and Evaluation Committee of the Maryland General Assembly in accordance with the enabling legislation. The scope of the work performed in each of these areas was based on our assessments of significance and risk. Therefore, our follow-up on the status of findings included in our preceding audit report on CCPS dated July 20, 2016, was limited to those findings that were applicable to the current audit scope for each of the 11 areas.

The audit objectives excluded reviewing and assessing student achievement, curriculum, teacher performance, and other academic-related areas and functions. Also, we did not evaluate the CCPS Comprehensive Education Master Plan or related updates, and we did not review the activities, financial or other, of any parent teacher association, group, or funds not under the local board of education's direct control or management.

To accomplish our objectives, we reviewed applicable State laws and regulations pertaining to public elementary and secondary education, as well as policies and procedures issued and established by CCPS. We also interviewed personnel at CCPS and the Maryland State Department of Education (MSDE), and staff at other local school systems in Maryland (as appropriate). Our audit procedures

included inspections of documents and records, and to the extent practicable, observations of CCPS operations. We also tested transactions and performed other auditing procedures that we considered necessary to achieve our objectives, generally for the period from July 14, 2016 to October 15, 2020. 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 a 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. For certain areas within the scope of the audit, we relied on the work performed by the independent accounting firm that annually audits CCPS' financial statements and conducts the federal Single Audit.

We used certain statistical data—including financial and operational—compiled by MSDE from various informational reports submitted by the Maryland local school systems. This information was used in this audit report for background or informational purposes, and was deemed reasonable.

We also extracted data from the CCPS automated financial management system for the purpose of testing expenditure and payroll transactions. We performed various audit procedures on the relevant data and determined the data were sufficiently reliable for the purposes the data were used during the audit.

CCPS' 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 CCPS, 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. In addition to the conditions included in this report, other findings were communicated to

CCPS that were not deemed significant and, consequently, did not warrant inclusion in this report.

We conducted our audit fieldwork from October 1, 2020 to June 2, 2021. On March 16, 2020, due to the COVID-19 pandemic health crisis, the State Superintendent of Schools decided to close school and administrative buildings to employees and the public for a two-week period. This was eventually extended for the remainder of the 2019-2020 school year with limited access by certain employees. All CCPS buildings were open during the entire period of our fieldwork, so the objectives and scope of our audit were not impacted. To the extent that the COVID-19 crisis continues to impact CCPS operations, certain recommendations in this report may need to be adjusted to ensure proper controls under the modified operations.

The CCPS response to our findings and recommendations is included as an Appendix to this report. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise CCPS regarding the results of our review of its response.



**Calvert County  
Public Schools**

Daniel D. Curry, Ed.D.  
Superintendent of Schools

**APPENDIX**

1305 Dares Beach Road  
Prince Frederick, MD 20678  
Telephone: (443) 550-8000  
FAX: (410) 286-1358  
[www.calvertcounty.education](http://www.calvertcounty.education)

January 12, 2022

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

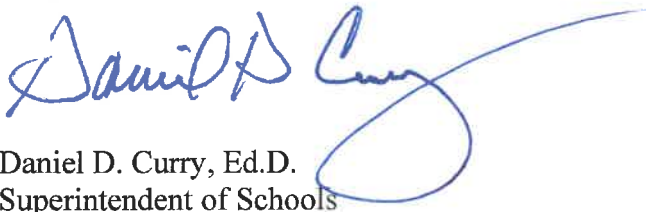
Dear Mr. Hook:

We have received the draft audit report on the Financial Management Practices of Calvert County Public Schools.

Enclosed are Calvert County Public Schools' responses to the report comments and recommendations.

As requested, an electronic copy of the responses has been emailed to [response@ola.state.md.us](mailto:response@ola.state.md.us). Please contact Ms. Edith Hutchins, Chief Financial Officer, at (443) 550-8167 if you have questions or need further assistance regarding this submission.

Respectfully,



Daniel D. Curry, Ed.D.  
Superintendent of Schools

# Calvert County Public Schools

## Agency Response Form

### Procurement and Disbursement Cycle

#### Finding 1

CCPS procurement policies did not incorporate certain requirements of State law and recognized best practices when participating in intergovernmental cooperative purchasing agreements (ICPA). In addition, ICPA invoices were not always verified to related price lists.

We recommend that CCPS

- a. incorporate the aforementioned statutory requirement and other identified and acknowledged best practices into its procurement policies, and ensure that the performance of the requirement and best practices is documented when evaluating the participation in ICPAs; and
- b. ensure that amounts invoiced by ICPA vendors agreed with the related contract pricing.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	CCPS has no concerns with the factual accuracy of the finding.		
Recommendation 1a	Agree	Estimated Completion Date:	7/1/21
Please provide details of corrective action or explain disagreement.	CCPS has taken corrective action by developing and implementing a comprehensive checklist that is completed when obtaining goods or services under an ICPA. This checklist and supporting documentation are maintained in the contract file.		
Recommendation 1b	Agree	Estimated Completion Date:	7/1/21
Please provide details of corrective action or explain disagreement.	CCPS has taken corrective action by implementing the use of the bid price lists, a part of the checklist referenced in Section 1a, above, to ensure that the amounts invoiced by ICPA vendors agree with the related contract pricing.		

## Calvert County Public Schools

### Agency Response Form

#### **Finding 2**

**CCPS did not always obtain Board approval for purchases exceeding \$25,000 as required by its policy, and its automated system did not have controls to prevent certain purchases from bypassing requirements for competitive bidding and Board approval.**

**We recommend that CCPS**

- a. obtain Board approval for purchases that exceed \$25,000 as required by its policy, including the purchases noted above; and**
- b. establish system controls to ensure that delegated purchase orders comply with its procurement policies for competitive bidding and Board approval requirements.**

Agency Response			
<b>Analysis</b>			
<b>Please provide additional comments as deemed necessary.</b>	CCPS has no concerns with the factual accuracy of the finding.		
<b>Recommendation 2a</b>	Agree	<b>Estimated Completion Date:</b>	8/17/21
<b>Please provide details of corrective action or explain disagreement.</b>	CCPS has taken corrective action by developing and implementing a daily report to show all purchase requisitions pending approval, including the total amount of each purchase requisition. Purchase requisitions with a total amount exceeding \$25,000 will be reviewed to determine if a competitive bid process is required. CCPS will confirm its procurement procedures are met prior to processing any such orders, including approval by the Board of Education.		
<b>Recommendation 2b</b>	Agree	<b>Estimated Completion Date:</b>	8/17/21
<b>Please provide details of corrective action or explain disagreement.</b>	CCPS has taken corrective action by developing and implementing a daily report to show all purchase requisitions pending approval, including the total amount of each purchase requisition. Purchase requisitions with a total amount exceeding \$25,000 will be reviewed to determine if a competitive bid process is required. CCPS will confirm its procurement procedures are met prior to processing any such orders.		

# Calvert County Public Schools

## Agency Response Form

### Human Resources and Payroll

#### **Finding 3**

**CCPS did not ensure critical human resources and payroll transactions were independently reviewed for propriety.**

**We recommend that CCPS perform a documented independent supervisory review of human resources and payroll transactions entered in the system to appropriate supporting documentation, at least on a test basis (repeat).**

Agency Response			
<b>Analysis</b>			
<b>Please provide additional comments as deemed necessary.</b>	CCPS has no concerns with the factual accuracy of the finding.		
<b>Recommendation 3</b>	Agree	<b>Estimated Completion Date:</b>	8/25/21
<b>Please provide details of corrective action or explain disagreement.</b>	As a result of the finding noted during the previous legislative audit, CCPS implemented the process of having an administrator review selected payroll transactions prior to the pay runs. We have received clarification from the legislative auditors that the expectation of the OLA is that the review will be conducted after the pay runs. CCPS will add the post pay run review by an administrator to our existing practices.		

# Calvert County Public Schools

## Agency Response Form

### Information Technology

#### **Finding 4**

**CCPS did not ensure employee access to its automated financial management system applications was appropriate and adequately controlled resulting in employees with unnecessary or incompatible access.**

**We recommend that CCPS**

- a. periodically perform a documented review of employee access capabilities to ensure all access is appropriate and incompatible duties are segregated (repeat); and**
- b. correct any improper capabilities or control issues, including those noted above.**

<b>Agency Response</b>			
<b>Analysis</b>			
<b>Please provide additional comments as deemed necessary.</b>	CCPS has no concerns with the factual accuracy of the finding.		
<b>Recommendation 4a</b>	Agree	<b>Estimated Completion Date:</b>	11/1/2021
<b>Please provide details of corrective action or explain disagreement.</b>	DIT will collaborate with HR, Finance, and Procurement to review the security reports annually to: 1. Ensure that security roles accurately reflect the job responsibilities of their employees 2. Guarantee that segregation of duties are clear and accurate 3. Document and store their findings 4. Inform DIT so that the necessary security modifications are made within our ERP system		
<b>Recommendation 4b</b>	Agree	<b>Estimated Completion Date:</b>	11/15/2021
<b>Please provide details of corrective action or explain disagreement.</b>	Part 4 of the process above will ensure that DIT is informed of the security changes at least annually. DIT will enter the requested security changes within one week of being informed. Once the changes are executed, DIT will ask HR, Finance, and Procurement to sign off on a form that documents the validation. This validation will be added to the documentation found in #3 of the process outlined above in Recommendation A.		



## Calvert County Public Schools

### Agency Response Form

#### **Finding 5**

**Sensitive personally identifiable information was maintained without adequate safeguards and being identified.**

**We recommend that CCPS**

- a. implement appropriate information security safeguards for its stored sensitive PII; and**
- b. perform an annual inventory of all of its systems, identify all sensitive PII, and delete all unnecessary PII.**

Agency Response			
<b>Analysis</b>			
<b>Please provide additional comments as deemed necessary.</b>	CCPS has no concerns with the factual accuracy of the finding.		
<b>Recommendation 5a</b>	Agree	<b>Estimated Completion Date:</b>	7/1/2022
<b>Please provide details of corrective action or explain disagreement.</b>	CCPS will review PII retained in the student information system against the data requirements outlined in the 2020 Maryland Students Records System Manual and our Medicare reimbursement vendor to ensure that only necessary PII is retained.		
<b>Recommendation 5b</b>	Agree	<b>Estimated Completion Date:</b>	7/15/2022
<b>Please provide details of corrective action or explain disagreement.</b>	A partial review of PII in the financial system is performed annually in April as part of the open enrollment preparation. The review will be expanded to scan for and include any additional PII information. A PII review process for the student information system will be added to the annual rollover process.		

# Calvert County Public Schools

## Agency Response Form

### Finding 6

CCPS did not have malware protection software installed for 46 of 126 of its servers, and multiple password controls for certain applications and the internal computer network were not sufficient.

We recommend that CCPS

- a. ensure that malware protection software is installed and maintained on all servers (repeat); and
- b. establish password controls over its internal network, financial and student information system applications that comply with the recommended controls prescribed by the State's *Information Technology Security Manual*.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	CCPS has no concerns with the factual accuracy of the finding. CCPS has malware protection installed on all servers. All Staff is assigned to Primary PSO.		
Recommendation 6a	Agree	Estimated Completion Date:	10/1/2021
Please provide details of corrective action or explain disagreement.	All CCPS servers have malware protection software installed. Servers are centrally managed using a malware protection central console. Malware is automatically remediated on all servers running malware protection software.		
Recommendation 6b	Agree	Estimated Completion Date:	11/1/2021
Please provide details of corrective action or explain disagreement.	CCPS password length is eight characters, and all staff are authenticated through Multi Factor Authentication when authenticating against our primary cloud service. We do not plan on increasing the password length to 12 characters. We will ask a key vendor to apply MFA protocols when staff access enterprise student and financial systems while off the CCPS Network.		

# Calvert County Public Schools

## Agency Response Form

### **Finding 7**

Certain servers were improperly located within the internal network, intrusion detection prevention system coverage did not exist for untrusted encrypted traffic, and remote access to the internal CCPS network by faculty, staff, and students used a single authentication measure rather than the more secure multi-factor authentication.

We recommend that CCPS

- a. isolate servers, as appropriate, in a separate protected network zone to limit security exposures to the internal network segment (repeat);
- b. perform a documented review and assessment of its network security risks and identify how IDPS coverage should be applied to its network for all untrusted traffic, including encrypted traffic, and implement this coverage (repeat); and
- c. implement multi-factor authentication for remote VPN connections into the CCPS network by all users.

Agency Response			
<b>Analysis</b>			
<b>Please provide additional comments as deemed necessary.</b>	CCPS has no concerns with the factual accuracy of the finding.		
<b>Recommendation 7a</b>	Agree	<b>Estimated Completion Date:</b>	8/26/2021
<b>Please provide details of corrective action or explain disagreement.</b>	Granular controls have been implemented and all servers have been isolated to a sperate protected network zone.		
<b>Recommendation 7b</b>	Agree	<b>Estimated Completion Date:</b>	9/2/2022
<b>Please provide details of corrective action or explain disagreement.</b>	CCPS will review and implement IDPS as outlined in the recommendation above.		
<b>Recommendation 7c</b>	Agree	<b>Estimated Completion Date:</b>	8/4/2021
<b>Please provide details of corrective action or explain disagreement.</b>	CCPS has restricted VPN access to staff and MFA has been implemented on the VPN.		

# Calvert County Public Schools

## Agency Response Form

### Transportation Services

#### Finding 8

**Certain elements of the payments to bus contractors could not be supported.**

We recommend that CCPS

- a. use actual documented maintenance costs, cost studies, or independently derived estimates for establishing contractor rates for per-mile maintenance costs (repeat),
- b. document the reasonableness of the annual administrative costs (operations fee) paid to contractors (repeat), and
- c. include provisions to audit the bus contractors in future contracts and use it to determine the actual cost of operating contractor buses.

Agency Response			
<b>Analysis</b>			
<b>Please provide additional comments as deemed necessary.</b>	CCPS has no concerns with the factual accuracy of the finding.		
<b>Recommendation 8a</b>	Agree	<b>Estimated Completion Date:</b>	6/30/2023
<b>Please provide details of corrective action or explain disagreement.</b>	Following the last legislative audit, CCPS launched an initiative to develop a formula for determining a reasonable M & O factor based upon the maintenance costs incurred over the 12-year life of a bus. We had begun working on this process which included working with some of our bus contractors. However, the work was halted when the COVID-19 pandemic hit. We plan to resume this work this year.		
<b>Recommendation 8b</b>	Agree	<b>Estimated Completion Date:</b>	6/30/2023
<b>Please provide details of corrective action or explain disagreement.</b>	CCPS will attempt to develop a calculation to support the administrative cost/operations fee paid annually to the bus contractors. We will utilize a methodology similar to that to be used to determine the reasonableness of the M & O factor.		
<b>Recommendation 8c</b>	Agree	<b>Estimated Completion Date:</b>	11/1/2021
<b>Please provide details of corrective action or explain disagreement.</b>	CCPS obtained legal counsel on including provisions to audit the bus contractors in future contracts and using the results of said audits to determine the actual cost of operating contractor buses. The attorney has advised us that bus contractors are just like any other vendor, and we do not/cannot audit vendors. The attorney stated that we could only conduct an audit if the bus contractors agreed to the insertion of such a provision in the transportation contract.		

# Calvert County Public Schools

## Agency Response Form

### Management of Other Risks

**Finding 9**  
**CCPS did not audit or adequately verify the propriety of health care claims, insurance premiums and administrative fees paid to the TPA, and the eligibility of enrolled dependents.**

We recommend that CCPS

- a. conduct audits of the propriety of health care claims paid, and ensure documentation is obtained supporting amounts reported on the year-end settlement by the TPA (repeat);
- b. perform documented comparisons of its records of enrolled participants to TPA invoices and contract rates to determine the propriety of premiums and administrative fees billed (repeat); and
- c. conduct unannounced periodic audits of enrolled dependents to ensure that previously enrolled dependents were still eligible to be enrolled in the plans.

Agency Response			
<b>Analysis</b>			
<b>Please provide additional comments as deemed necessary.</b>	CCPS has no concerns with the factual accuracy of the finding.		
<b>Recommendation 9a</b>	Agree	<b>Estimated Completion Date:</b>	12/31/21
<b>Please provide details of corrective action or explain disagreement.</b>	CCPS will work with our consulting vendor regarding any audit that may already be conducted annually. After consultation, CCPS will develop a plan to either partner with our consulting vendor to complete the process or will develop a process to appropriately conduct an audit.		
<b>Recommendation 9b</b>	Agree	<b>Estimated Completion Date:</b>	12/31/21
<b>Please provide details of corrective action or explain disagreement.</b>	CCPS will work with our consulting vendor and our internal IT department to create a process to compare our records with our billed invoices. St. Mary's County Public Schools may be contacted to investigate creating this process if necessary.		
<b>Recommendation 9c</b>	Agree	<b>Estimated Completion Date:</b>	12/31/21
<b>Please provide details of corrective action or explain disagreement.</b>	Although CCPS has an ongoing process in place since the last audit was completed in 2010 to ensure child dependents under the age of 26 remain eligible until aging out, we recognize and agree to the need for periodic audits for spousal dependents. CCPS will work with our consulting vendor to develop a process to conduct audits for these dependents at a minimum of once every 5 years.		

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