

# Financial Management Practices Audit Report

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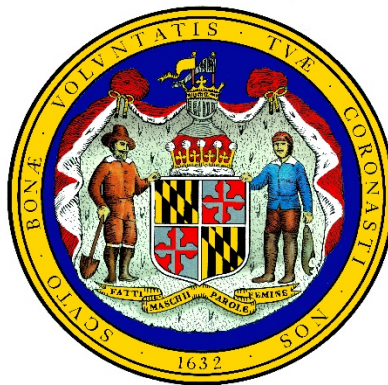
## Washington County Public Schools

February 2025

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### Public Notice

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



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**MARYLAND GENERAL ASSEMBLY**

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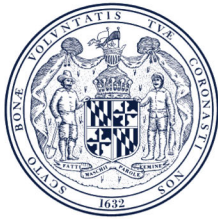
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DEPARTMENT OF LEGISLATIVE SERVICES  
OFFICE OF LEGISLATIVE AUDITS  
MARYLAND GENERAL ASSEMBLY

Brian S. Tanen, CPA, CFE  
Legislative Auditor

February 13, 2025

Senator Shelly L. Hettleman, Senate Chair, Joint Audit and Evaluation Committee  
Delegate Jared Solomon, House Chair, Joint Audit and Evaluation Committee  
Members of Joint Audit and Evaluation Committee  
Annapolis, Maryland

Ladies and Gentlemen:

We conducted an audit of the financial management practices of the Washington County Public Schools (WCPS) 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 WCPS' 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 certain requirements of WCPS' procurement policies were not being consistently used when obtaining goods and services under intergovernmental cooperative purchasing agreements and the policies were not sufficiently comprehensive. In addition, during the period from July 1, 2022 to February 20, 2024, WCPS did not publish 78 contract awards, each valued over \$50,000 and in aggregate totaling \$57.3 million, on *eMaryland Marketplace Advantage* as required by State law. Furthermore, WCPS did not competitively procure a \$3.6 million nursing services contract that has been awarded annually to the same vendor since 2013.

Additionally, our audit disclosed cybersecurity-related findings. However, in accordance with the State Government Article, Section 2-1224(i) of the Annotated Code of Maryland, we have redacted the findings from this audit report. Specifically, State law requires the Office of Legislative Audits to redact cybersecurity findings in a manner consistent with auditing best practices before the report is made available to the public. The term "cybersecurity" is defined in the State Finance and Procurement Article, Section 3.5-301(b), and using our

professional judgment we have determined that the redacted findings fall under the referenced definition. The specifics of the cybersecurity findings were previously communicated to those parties responsible for acting on our recommendations.

Our audit also disclosed that WCPS needs to improve internal controls and accountability in several areas, including payroll processing, and health care services. For example, WCPS did not have adequate internal controls over the processing of certain critical payroll transactions, such as payroll adjustments. Additionally, WCPS did not audit or adequately monitor the performance of its third-party administrators that provide health care claims processing services.

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 10 of the 13 findings contained in our preceding audit report. For the non-cybersecurity-related findings we determined that WCPS satisfactorily addressed 4 of those 5 findings. The remaining finding is repeated in this report.

WCPS' response to this audit is included as an appendix to this report. Consistent with State law, we have redacted the elements of WCPS' response related to the cybersecurity audit findings. We reviewed the response to our findings and related recommendations, and have concluded that the corrective actions identified are sufficient to address all audit issues.

We wish to acknowledge the cooperation extended to us during the course of this audit by WCPS. We also wish to acknowledge WCPS' willingness to address the audit issues and implement appropriate corrective actions.

Respectfully submitted,

*Brian S. Tanen*

Brian S. Tanen, CPA, CFE  
Legislative Auditor

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# **Background Information**

## **Statistical Overview**

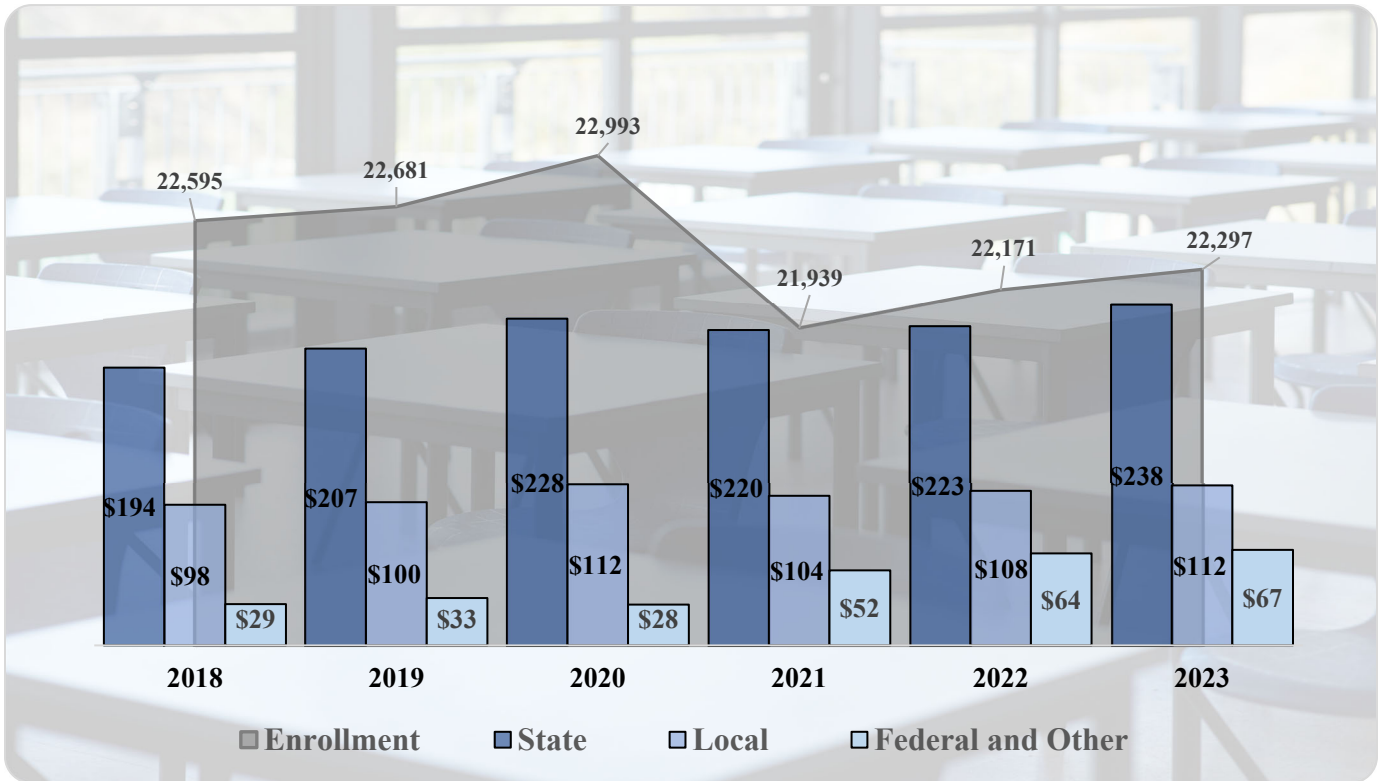
### **Enrollment**

According to student enrollment records compiled by the Maryland State Department of Education (MSDE), Washington County Public Schools (WCPS) ranks 11<sup>th</sup> in student enrollment among the 24 public school systems in Maryland. Fiscal year 2023 full-time student enrollment was 22,297 students. WCPS had 46 schools, consisting of 25 elementary, 7 middle schools, 1 combined middle/high school, 8 high schools, and 5 other types of schools (three alternative, one special education, and an outdoors center).

### **Funding**

WCPS revenues consist primarily of funds received from the State, Washington County, and the federal government. According to the WCPS' audited financial statements, revenues from all sources totaled approximately \$416.4 million in fiscal year 2023, including \$238 million from the State. According to MSDE's records, the State funding included Blueprint for Maryland's Future grants totaling \$211.2 million, State-share for employee pension payments totaling \$15.5 million, and other State funding sources, such as capital projects totaling \$11.3 million. See Figure 1 on the following page for WCPS' enrollment and funding by source for the six-year period from fiscal year 2018 through fiscal year 2023. See Figure 2 (on page 7) for revenue sources per enrolled student in fiscal year 2023 according to its audited financial statements.

**Figure 1**  
**WCPS Enrollment and Funding by Source**  
**Fiscal Years 2018 through 2023**  
 (dollar amounts in millions)



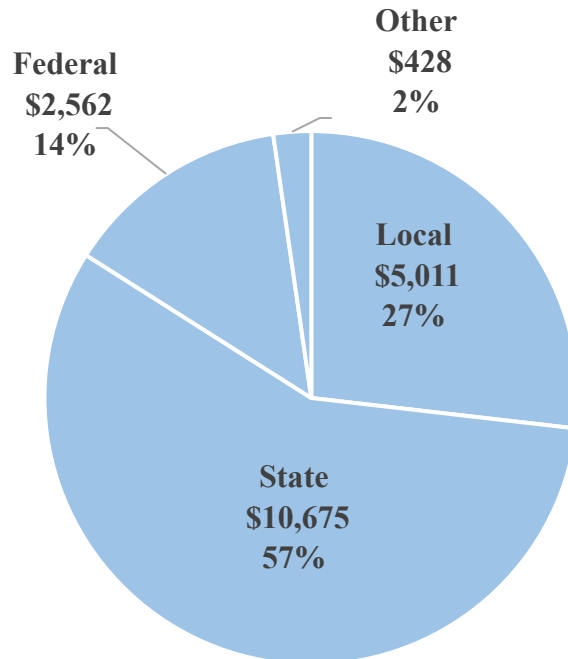
State funding for fiscal year 2023 included:

- \$211.2 million for Blueprint Grants
- \$15.5 million for the State-share of employee pension costs
- \$5.7 million for Capital Projects
- \$5.6 million for Other State funding

Source: WCPS' Fiscal Year 2023 Audited Financial Statements and MSDE Data



**Figure 2**  
**WCPS' Revenue Sources Per Enrolled Student**  
**Fiscal Year 2023**



Source: WCPS' Fiscal Year 2023 Audited Financial Statements and MSDE Data

### Blueprint for Maryland's Future (Blueprint)

Blueprint is a State-funded grant program based on recommendations of the Maryland Commission on Innovation and Excellence in Education.<sup>1</sup> Chapter 771, Laws of Maryland, 2019, effective June 1, 2019, established principles of the Blueprint that are intended to transform Maryland's early childhood, primary, and secondary education systems to the levels of the highest-performing systems. Blueprint specifies how funding is calculated to support programs and initiatives from prekindergarten through college and career.

Blueprint allocates funding to schools based on a weighted-student formula. The funding formula provides resources to local education agencies based on the number of students enrolled at each school (known as Foundation Aid) and the characteristics of those students (such as, Special Education, Concentration of

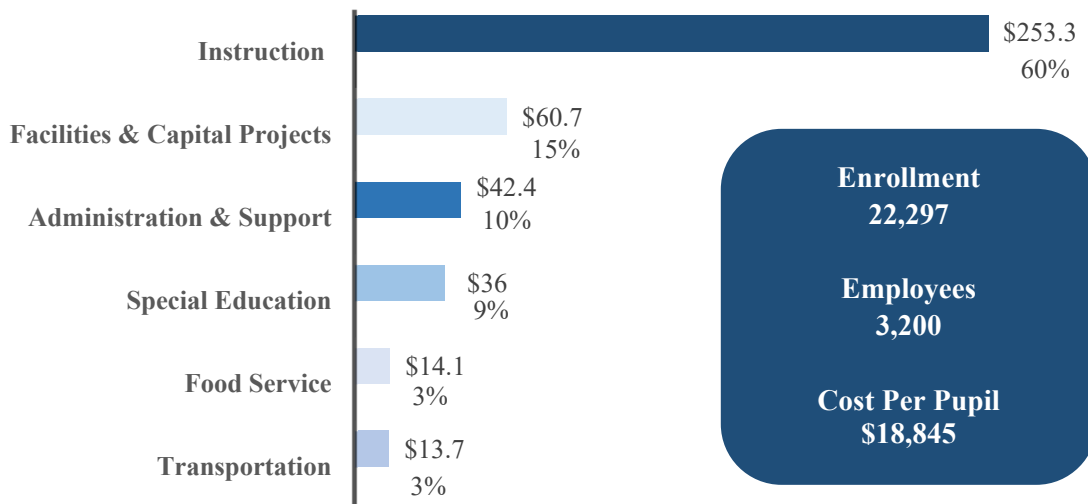
<sup>1</sup> The Maryland Commission on Innovation and Excellence in Education was established by Chapters 701 and 702, Laws of Maryland 2016, effective June 1, 2016 to review the adequacy of funding for education.

Poverty, and Compensatory Education Aid). Blueprint also provides additional funding for specific programs that schools offer (such as Prekindergarten Aid).

### Expenditures

According to WCPS' audited financial statements, fiscal year 2023 expenditures were approximately \$420.2 million. The largest expenditure category was salaries and wages, including benefits, which accounted for approximately 71 percent of total expenditures during fiscal year 2023. According to MSDE records, during the 2022-2023 school year, WCPS had 3,200 full-time equivalent positions, which consisted of 2,222 instructional and 978 non-instructional positions. Instruction accounted for 60 percent of WCPS' expenditures on a categorical basis (see Figure 3).

**Figure 3**  
**WCPS Expenditures by Category and Selected Statistical Data**  
**Fiscal Year 2023**  
(amounts in millions)



Source: WCPS' Fiscal Year 2023 Audited Financial Statements and MSDE Data

### Oversight

WCPS is governed by a local school board, consisting of seven elected voting members and one non-voting student member. MSDE exercises considerable oversight of WCPS 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 WCPS to comply with the requirements and mandates of federal law. The Washington County government also exercises authority over WCPS primarily through the review and approval of WCPS' annual operating and capital budgets.

#### Accountability and Implementation Board (AIB)

The AIB was established by State law as an independent unit of State government in February 2021 and is responsible for holding State and local governments, including local education agencies, accountable for implementing the Blueprint State-funded grant program and for evaluating the outcomes. Specifically, the AIB reviews the use of school-level expenditures and monitors school system compliance with Blueprint requirements. The AIB consists of a seven-member Board appointed by the Governor, with advice and consent of the Senate. The Board Chair is designated by the Governor, the Senate President, and the Speaker of the House.

#### Office of the Inspector General for Education (OIGE)

The OIGE was established by State law as an independent unit of State government effective June 2019. The OIGE is responsible for examining and investigating complaints or information regarding the management and affairs of local boards of education, local school systems, public schools, nonpublic schools that receive State funds, the Maryland State Department of Education, and the Interagency Commission on School Construction. Specifically, the law provides that the OIGE may receive and investigate information and complaints concerning potential fraud, waste, and abuse of public funds and property; civil rights violations involving students or employees; whether policies and procedures governing the prevention and reporting of child abuse and neglect comply with applicable federal and State laws; and compliance with other applicable federal and State laws.

The OIGE initiates examinations and investigations based on its assessment of complaints and information it receives from various sources, including State and outside agencies and through its fraud, waste, and abuse hotline. The OIGE also conducts an annual review of local school systems to ensure policies and procedures governing the prevention and reporting of child abuse and neglect comply with applicable federal and State laws. During the period covered by our review, the OIGE did not issue any reports related to WCPS reviews and investigations.

## External Audits

As required by State law, WCPS 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 WCPS as of June 30, 2018, 2019, 2020, 2021, 2022, and 2023, and the respective changes in its financial position and, where applicable, 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 WCPS' control over financial reporting and its tests of WCPS' compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. These reports are an integral part of the annual independently audited financial statements. The accounting firm also conducts the Single Audit of WCPS' 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 2018 through 2023 and examined the related work papers for the fiscal year 2023 audit, which were the latest available during our audit fieldwork. Our review did not note any deficiencies that warranted inclusion in this report. In addition, 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 electronic funds transfer
- Accounts receivable
- Federal grant activity

## 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 10 of the 13 findings contained in our preceding audit report dated May 14, 2019. As disclosed in Figure 4, for the non-cybersecurity-related findings, we determined that WCPS satisfactorily addressed 4 of these 5 findings. The remaining finding is repeated in this report.

**Figure 4**  
**Status of Preceding Findings**

Preceding Finding	Finding Description	Implementation Status
Finding 1	Adequate accountability and control had not been established over cash receipts, as checks were not always restrictively endorsed, collections were not recorded immediately upon receipt, and there was no independent verification that collections were deposited.	Not repeated
Finding 2	WCPS paid a vendor to perform data backup services for its student information system without a properly executed contract for more than two years. Consequently, WCPS' interests were not adequately protected when a disaster event occurred at its datacenter.	Not repeated
Finding 3	WCPS did not ensure that employee access to its human resources and payroll system was appropriate. Additionally, critical human resources and payroll transactions were not independently reviewed for propriety.	Status Redacted <sup>2</sup>
Finding 4	WCPS had not established comprehensive equipment policies and adequate recordkeeping practices and controls over equipment.	Not repeated (Not followed up on)
Finding 5	Sensitive personally identifiable information maintained by WCPS was stored without adequate safeguards.	Status Redacted <sup>2</sup>
Finding 6	Security activity monitoring, password controls, and database software maintenance for the WCPS student information system were not sufficient.	Status Redacted <sup>2</sup>
Finding 7	WCPS did not have a complete information technology disaster recovery plan for recovering computer operations, and had not properly monitored a vendor responsible for certain IT backup operations immediately before an actual disaster event occurred.	Status Redacted <sup>2</sup>

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

**Figure 4**  
**Status of Preceding Findings**

<b>Preceding Finding</b>	<b>Finding Description</b>	<b>Implementation Status</b>
Finding 8	Intrusion detection prevention system coverage for the WCPS network had substantial gaps, and malware protection controls were not sufficient to provide WCPS with adequate assurance that its computers were properly protected.	Status Redacted <sup>3</sup>
Finding 9	WCPS' energy use and conservation policy was not comprehensive.	Not repeated (Not followed up on)
Finding 10	WCPS had not established comprehensive bus routing procedures and did not periodically perform a system-wide analysis of routes and related bus capacities to maximize efficiency.	Not repeated (Not followed up on)
Finding 11	Certain elements used to calculate WCPS' payments to bus contractors did not consider market conditions, actual costs, or were not properly documented.	Not repeated
Finding 12	Payments to bus contractors were not adequately verified for accuracy.	Not repeated
Finding 13	WCPS did not verify that stop-loss insurance was correctly applied by the third-party administrator, and plan administrative fees and stop-loss premiums were properly charged.	<b>Repeated</b> (Current Finding 8)

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

## **Findings and Recommendations**

### **Revenue and Billing Cycle**

#### **Background**

Washington County Public Schools (WCPS) revenues consist primarily of funds received from the State, Washington County, and the federal government. According to the WCPS audited financial statements, revenues from all sources totaled approximately \$416.4 million in fiscal year 2023, including \$238 million from the State.

#### **External Audits**

There were similarities between the work of the independent certified public accounting firm (CPA) that audited WCPS' financial statements and the objectives for our audit for certain revenue activities. As a result, we relied on this work to provide audit coverage for State and local government revenues received via electronic funds transfer and accounts receivable, for which the auditor's procedural reviews (related to the fiscal year 2023 audit) 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 2023, school activity collections totaled approximately \$3.3 million and the June 30, 2023 fund balance was \$2.8 million. Based on our assessment of the relative significance of this activity, we did not review the procedures and controls over these funds.

#### **Conclusion**

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

## **Federal Funds**

### **Background**

WCPS 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 WCPS' Single Audit, fiscal year 2023 (latest available at the time of our audit) federal expenditures totaled approximately \$54.3 million, not including federally funded fee-for-service programs such as Medicaid reimbursement for special education services.

According to the audited financial statements, federal fund revenues (excluding Medicaid) increased, from \$22.3 million in fiscal year 2020 to \$54.3 million in fiscal year 2023 (144 percent), due to COVID-19 pandemic grant funding. According to WCPS' records, as of June 30, 2023, it was awarded federal COVID-19 pandemic grant funds totaling \$97.5 million to be distributed over federal fiscal years 2020 to 2024 under the Coronavirus Aid, Relief, and Economic Security Act, Coronavirus Response and Relief Supplemental Appropriations Act, and the American Rescue Plan.

As of June 30, 2023, WCPS expenditures related to these COVID-19 grants totaled \$70.1 million from March 2020 to June 2023, and were primarily comprised of staffing, laptops, summer enhancement programs, personal protection equipment, sanitary supplies, and positions associated with learning loss. WCPS can request extensions up until December 2025 from the federal grant programs for distributing these funds if the funds are not used by the end of fiscal year 2024. We were advised by WCPS that it plans to request an extension to expend the remaining funds.

### **Single Audit Reports**

There were similarities in the work performed by the independent CPA that conducted the Single Audit of WCPS' federal grants and the objectives of our audit in this area. In addition to expressing an opinion on WCPS 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 Schedule of Expenditures of Federal Awards (which includes claimed and reported grant expenditures) for fiscal years 2018 through 2023. Our review of the Single Audits did not identify any issues that warranted inclusion in this report.

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

WCPS 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 WCPS. 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 July 2023 of the results of its review of 65 student case files for 100 criteria. The report did not specifically address the propriety of Medicaid billing, but overall concluded that WCPS was generally compliant with most criteria. For example, WCPS was 100 percent compliant with 79 criteria and between 91 and 99 percent compliant with 17 criteria.

According to WCPS records, fiscal year 2023 State and federal reimbursements for Medicaid-subsidized services totaled approximately \$2.6 million, which was consistent with the previous fiscal year. 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.

### **Conclusion**

We relied on the work of the independent CPA that conducted the Single Audits for the work in this 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 WCPS' records, disbursements (excluding payroll) totaled \$123.8 million during fiscal year 2023. WCPS uses a financial management system for purchases and disbursements. Requisitions are created in the system by department staff and are subject to supervisory and purchasing department approvals. Purchase orders are prepared in the system by the purchasing department based on approved requisitions. The purchasing department also generally handles the solicitation, bid evaluation, and establishment of contracts.

Invoices are submitted by vendors directly to the accounts payable department for entry into the financial management system. Generally, the system matches invoices to appropriate purchasing documents and the verification of receipt entered by the receiving school or department. Payments are processed by the accounts payable department through the financial management system which either prints vendor checks or processes an electronic payment, and then posts the payment to the financial records.

WCPS written procurement policy requires that procurements equal to or exceeding \$25,000 be competitively bid in accordance with Section 5-112 of the Education Article of the Annotated Code of Maryland. Procurements of contracts and agreements valued at \$50,000 or more, are to be approved by the Washington County Board of Education.

#### **Finding 1**

**Certain requirements of State law and recognized best practices were not incorporated into WCPS procurement policies and were not consistently used when participating in intergovernmental cooperative purchasing agreements (ICPAs).**

#### **Analysis**

Certain requirements of State law and recognized best practices were not incorporated into WCPS procurement policies and were not consistently used when participating in ICPAs. State law, which legal counsel to the Maryland General Assembly advised us is applicable to local education agencies, allows the use of ICPAs only after the using entity has met the statutory requirement of determining (or assessing) in writing that the use of such arrangements will provide cost benefits, promote administrative efficiencies, or promote intergovernmental cooperation.<sup>4</sup>

According to its records, WCPS used the ICPA procurement method for 82 procurements with awards totaling approximately \$94.2 million during fiscal years 2018 through 2023. Our review of WCPS procurement policies disclosed that the above statutory requirement as well as the following critical best practices were not included:

- 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;

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<sup>4</sup> Section 13-110 of the State Finance and Procurement Article of the Annotated Code of Maryland, in part, defines an ICPA as 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.

- Verify terms, scope of services, specifications, and price meet our needs;
- Execute an addendum of participation with lead agency and remove or incorporate necessary local terms and conditions; and
- Obtain a copy of ICPA and related price lists for invoice verification.

In addition, we tested WCPS' participation in 5 ICPAs (selected based on significance), awarded during fiscal years 2020 through 2022, totaling approximately \$8.3 million. Our review disclosed that WCPS did not include some of the aforementioned best practices in the ICPAs tested. For example, WCPS did not analyze the costs of conducting competitive solicitations for any of the contracts tested and did not adhere to 4 of the remaining best practices for 3 of the ICPAs tested. We further noted that WCPS had not prepared the statutorily required written assessments for any of the contracts tested to justify the use of the ICPA.

We did find that other best practices were performed despite not being included in WCPS' policies. For example, WCPS verified the ICPA had a clause allowing utilization by other parties and WCPS verified the ICPA solicitation was competitively bid and publicly advertised for all 5 ICPAs tested. Incorporating ICPA best practices into WCPS procurement policies could help ensure they are consistently used.

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, the practices also require that ICPA users ensure that the contract was awarded through a competitive procurement process, that addendums be executed documenting their participation, and that all local required terms and conditions are incorporated.

### **Recommendation 1**

**We recommend that WCPS incorporate the aforementioned statutory requirements and other identified and acknowledged best practices into its procurement policies and ensure that the performance of the requirements and best practices are documented when evaluating and participating in ICPAs.**

**Finding 2**

**WCPS published contract awards on its website instead of on *eMaryland Marketplace Advantage (eMMA)* as required by State procurement law.**

**Analysis**

WCPS did not publish contract awards on *eMMA* as required by State procurement law. According to State law, the solicitation and award of contracts of \$50,000 or more procured by public schools after July 1, 2022, are required to be published on *eMMA*.<sup>5</sup> Publishing awards on *eMMA* provides transparency over State procurements, including information about winning bidders and the amount of the related awards.

Our review disclosed that since July 1, 2022, WCPS published awards on its website consistent with its own policy, and not on *eMMA* as required by the aforementioned law. According to WCPS records, during the period from July 1, 2022 to February 20, 2024, the WCPS' Board of Education approved 78 contract awards each valued at or over \$50,000 and in aggregate totaling \$57.3 million.

**Recommendation 2**

**We recommend that WCPS comply with State procurement law by publishing contract awards on *eMMA* as required, including those noted above.**

**Finding 3**

**WCPS did not competitively procure a \$3.6 million nursing services contract that has been awarded annually to the same vendor since 2013, and did not obtain available supporting documentation to ensure that related billings were proper.**

**Analysis**

WCPS did not competitively procure a \$3.6 million nursing services contract and did not obtain available supporting documentation to ensure that related billings were proper. Our review of 5 contracts totaling \$8.7 million<sup>6</sup> disclosed that in August 2022, WCPS awarded a one-year \$3.6 million nursing contract to the incumbent vendor without soliciting competitive bids. Similar contract awards have been made by WCPS to the same vendor since 2013. We were advised by WCPS that in 2013, WCPS competitively solicited bids for the nursing contract, but the only responsive bidder was the current vendor.

<sup>5</sup> *eMMA* is an Internet-based, interactive procurement system managed by the State of Maryland's Department of General Services.

<sup>6</sup> Test selection was based on material payments made to vendors in fiscal year 2023.

WCPS also did not obtain available supporting documentation to validate the propriety of vendor billings. Specifically, our review of 2 invoices (selected based on materiality) from October 2022 and April 2023 totaling approximately \$454,000 and \$390,000, respectively, disclosed that WCPS did not obtain available detailed staff timesheets or use staff assignment reports to validate the propriety of vendor billings. Our comparison of hours charged on summary vendor billing reports to detailed timesheets for 5 employees (which WCPS obtained at our request) did not identify any differences between the hours billed and the hours worked for the 5 employees.

### **Recommendation 3**

#### **We recommend that WCPS**

- a. ensure that contracts are competitively procured and awarded, to allow for the best possible contract prices; and**
- b. use available supporting documentation from the vendor (such as, timesheets and staff assignment reports) to validate the propriety of vendor billings.**

## **Human Resources and Payroll**

### **Background**

Payroll expense represents the largest single cost component in the WCPS budget. According to WCPS records, fiscal year 2023 salary, wage, and benefit costs totaled approximately \$296.4 million, representing 71 percent of the total expenditures. According to Maryland State Department of Education reports, during the 2022–2023 school year WCPS had 3,200 full-time positions, which consisted of 2,222 instructional and 978 non-instructional positions.

WCPS uses an automated system to maintain human resources information, record employee time, track employee leave usage, and process and record payroll transactions. The system generates payroll checks and direct deposit advices. Payroll processing involves both automated processes (such as compiling leave and running edit reports) and manual processes (such as data entry of new employee information).

### **Finding 4**

**WCPS did not independently review payroll adjustments for propriety.**

### **Analysis**

WCPS did not independently review payroll adjustments for propriety. Specifically, two employees were responsible for calculating and entering payroll

adjustments (such as overtime, summer school, vacation and leave payouts), which totaled approximately \$1.2 million in fiscal year 2023, without independent supervisory review or approval. Our test of 10 material leave payout adjustments valued at approximately \$673,000 processed during the period from July 2020 to January 2023 did not disclose any inappropriate or erroneous transactions.

A similar condition regarding the lack of an independent review of payroll transactions was commented on in our two preceding audit reports dating back to June 2013. In response to our preceding report, WCPS agreed to conduct a documented supervisory review of critical or unusual payroll transactions noted on its system generated action history report. However, WCPS did not take the corrective actions as agreed.

#### **Recommendation 4**

**We recommend that WCPS perform a documented independent supervisory review of payroll adjustments to ensure that they are appropriate and properly supported (repeat).**

## **Equipment Control and Accountability**

### **Background**

According to WCPS' audited financial statements, the undepreciated value of its capital equipment inventory (furniture, fixtures, and equipment) totaled \$54 million as of June 30, 2023. WCPS maintains centralized automated records for all equipment with a cost of \$5,000 or more that are capitalized for financial statement purposes. In addition, WCPS' Information Technology Department maintains an inventory database of laptops issued to schools, students, and employees. WCPS has written equipment policies and performs inventories at each school annually.

### **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**

We determined that the Information Technology section, including Findings 5 through 7 related to "cybersecurity," as defined by the State Finance and Procurement Article, Section 3.5-301(b) of the Annotated Code of Maryland, and

therefore are subject to redaction from the publicly available audit report in accordance with the State Government Article 2-1224(i). Consequently, the specifics of the following findings, including the analysis, related recommendations, along with WCPS' responses, have been redacted from this report copy.

**Finding 5**  
**Redacted cybersecurity-related finding.**

**Finding 6**  
**Redacted cybersecurity-related finding.**

**Finding 7**  
**Redacted cybersecurity-related finding.**

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

### **Background**

WCPS employs a staff of 236 employees to maintain its 46 schools and a number of other facilities (such as administrative and support offices). According to its fiscal year 2023 Capital Improvement Program, necessary construction, major renovations, and systemic improvements to WCPS' facilities over the next five years are estimated to cost \$106.9 million.

### **WCPS Capital Projects Were Competitively Solicited and Approved by the Board and Related Expenditures Were Properly Supported**

Our review of three high dollar construction-related and one architectural procurement awarded during fiscal years 2019 to 2022 totaling \$34.5 million, disclosed that the contracts were competitively procured and approved by the Board. In addition, our test of eight invoices totaling \$6.1 million for these contracts disclosed that the invoices were properly reviewed and approved, and the amounts invoiced were in accordance with the related contract terms.

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

WCPS has processes in place to promote ongoing facility maintenance and minimize energy costs. For example, WCPS provides scheduled maintenance of its buildings and equipment with the goal of preventing emergency repairs. In addition, WCPS participates in a consortium with other area entities to purchase

energy at the best possible terms for members of the consortium. WCPS also uses a vendor energy management program to monitor and control heating and air conditioning usage and a utility bill management program to monitor related costs. WCPS has written policies that include best practices that encourage both students and employees to be aware of and limit their energy use and conducts internal on-site reviews of building energy efficiency. Further, WCPS makes limited use of solar and wind energy sources.

### **Conclusion**

Our audit did not disclose any significant deficiencies in the design or operation of WCPS' internal controls 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), WCPS has approximately 20,048 students eligible to receive student transportation services. These students were transported using 132 system-owned buses and 38 contractor-owned buses. WCPS reported that 3.2 million route miles were traveled to transport students for the 2022-2023 school year.

During school year 2022-2023, WCPS had contracts with 17 bus contractors for student transportation. The contracts are for either one-year or six-year terms and continue annually throughout the 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, and termination of routes to reduce or consolidate routes). According to WCPS' financial records, fiscal year 2023 transportation costs totaled \$14 million, of which \$2.7 million (19.3 percent) were payments to the 17 bus contractors. When schools were closed, from March 17, 2020 to September 1, 2020 due to the COVID-19 pandemic, WCPS continued to pay the bus contractors at its agreed-upon rates (except for fuel). The cost components for contractor bus payments for fiscal year 2023 are summarized in Figure 5 on the following page.



**Figure 5**  
**Cost Components for Bus Contractor Payments**  
**Fiscal Year 2023**  
**(dollar amounts in millions)**

Cost Component	Amount	
Maintenance Fee and Fuel Costs	\$1.1	43%
Reimbursements for Drivers Hourly Rates	1.0	35%
Per-vehicle Allotment (PVA) – reimbursement for the cost of purchasing a bus	0.4	14%
Other Costs – (such as administrative fee and spare buses)	0.2	8%
<b>Total</b>	<b>\$2.7</b>	

Source: WCPS Records

### Conclusion

Our audit did not disclose any significant deficiencies in the design or operation of WCPS' internal controls over the transportation services financial-related areas of operations reviewed. Our audit also did not disclose any significant instances of noncompliance with applicable laws, rules, or regulations.

## Food Services

### Background

According to WCPS' audited financial statements, food services operating expenditures totaled \$14.1 million in fiscal year 2023 and were funded with federal funds totaling \$11.9 million and food sales totaling \$2.2 million. The federal funds are received from the United States Department of Agriculture (USDA) based on an established rate per meal served. WCPS is allowed to retain federal funds it receives in excess of its annual food service operating costs to be used to offset certain future food service operating costs. According to WCPS' audited financial statements, the balance in WCPS' Food Services Fund totaled \$2.5 million as of June 30, 2023. According to MSDE records, in fiscal year 2023, WCPS had 146 food services positions for its 46 schools, consisting of 144 cafeteria positions and 2 administrative positions.

Similar to other Maryland local education agencies, WCPS continued to serve meals from certain schools during the COVID-19 pandemic health crisis by providing free meals for parents and students to pick up. The number of meals served increased by approximately 22 percent from 2.8 million in fiscal year 2020 to 3.5 million in fiscal year 2023. WCPS advised us that the increase was the

result of students returning to in-person classes after the COVID-19 pandemic, and because meals were provided to all students at no cost during the 2021-2022 school year. WCPS food service expenditures increased by 31 percent (food costs and equipment) during the same period, from \$11.6 million to \$15.2 million. WCPS indicated that no employees were laid off due to the COVID-19 pandemic.

### **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 related to the Food Services financial area of operations.

## **School Board Oversight**

### **Background**

The Washington County Board of Education (the Board) is composed of seven elected members and one non-voting student representative. The Board contracted with a certified public accounting firm to conduct independent audits of the WCPS financial statements and federal programs. To assist in its oversight of various areas of WCPS operation and governance, the Board established several committees, such as a Citizen Advisory Committee and an Ethics Panel.

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

The 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 WCPS 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, appointed officials (such as the Superintendent), and members of administrative/supervisory units (such as school principals) by April 30th of each year.

In accordance with the policy, WCPS established an Ethics Panel consisting of five 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 WCPS employees required to submit financial disclosure forms for calendar year 2022 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

WCPS is self-insured and contracts with three third-party administrator firms (TPAs) for health care claims processing services for employee and retiree medical, prescription, dental, and vision costs. WCPS also contracts with a consultant to help manage the health plans. The consultant performs data analysis of health services utilization and costs, provides recommendations on potential rate changes, and evaluates the merits of health plan proposals. In addition, WCPS contracts with an insurer for stop-loss insurance, which indemnifies WCPS against health claim amounts that exceed \$500,000 per participant per plan year.

**Figure 6**  
**WCPS 2023 Healthcare Financing**  
(amounts in millions)

Revenues	
Employer Contributions	\$45.1
Employee/Retiree Contributions	12.2
Rebates	7.3
Other Revenue	0.3
<b>Total Revenue</b>	<b><u>\$64.9</u></b>
Expenditures	
Claims Payments	\$59.2
Administrative Fees	1.1
Stop-Loss Insurance Premiums	1.1
Other Expenses	0.2
<b>Total Expenditures</b>	<b><u>\$61.6</u></b>

Source: WCPS Records

The health benefit plans for WCPS employees and retirees are financed through governmental funds, with a fiduciary fund (referred to as the Retiree Health Plan Trust) established as an investment reserve for future retiree health benefit costs.<sup>7</sup> The plans provide coverage under contracts with several insurance companies. According to WCPS records, the healthcare revenues and expenditures for fiscal year 2023 totaled \$64.9 million and \$61.6 million respectively (see Figure 6).

WCPS employs a verification process in its enrollment procedures whereby employees must submit documentation (such as, birth certificates) for dependents they want added to their health plan. As of December 15, 2023, WCPS provided health insurance benefits to approximately 8,814 enrolled employees, dependents, and retirees.

<sup>7</sup> These funds are invested with the Maryland Association of Boards of Education, Retiree Health Plan Trust, and totaled \$113.4 million as of June 30, 2023.

**Finding 8**

**WCPS did not adequately monitor the performance of its third-party administrator that provided medical healthcare and pharmacy claims processing services.**

**Analysis**

WCPS did not adequately monitor the performance of its TPA that provided medical healthcare and pharmacy claims processing services. According to WCPS records, payments to the TPA totaled approximately \$1.1 million in fiscal year 2023.

- WCPS did not obtain and review claim data to support the amounts billed by the medical TPA for healthcare claims. Rather, WCPS approved the amounts billed based on a review of a summary schedule of the total claims paid for each health plan with no review of supporting documentation. WCPS also did not routinely audit the healthcare claims paid by the TPA to ensure the billed services were provided to participants, were covered by the health plans, and that amounts paid were proper. The last claims audit performed by WCPS was for claims paid during fiscal year 2018. According to that audit, recoveries totaling \$19,477 were identified and claim payment accuracy was 94.84 percent, which was below industry standards of 97 to 98 percent. WCPS' TPA contracts allowed for periodic independent third-party audits of the accuracy and validity of claim reimbursements paid by WCPS.
- WCPS did not perform a documented verification that individual claims exceeding the \$500,000 stop-loss limit were reimbursed by the TPA. We were advised by WCPS that it received and reviewed a report from the TPA of claims that exceeded the stop-loss threshold, but there was no documentation of this review. In addition, as noted above, WCPS did not receive a report of detailed claims data paid by the TPA to ensure no claims over the stop-loss threshold had been paid. In fiscal year 2023, WCPS paid approximately \$992,000 in stop-loss premiums and received \$93,000 in stop-loss coverage.

A similar condition regarding the lack of a documented review of detailed claims data to ensure no claims over the stop-loss threshold had been paid was commented upon in our preceding audit report. WCPS' response to our preceding report indicated that corrective actions would be implemented to address our recommendations. However, WCPS did not take the corrective actions as indicated.

- WCPS did not audit the TPA to ensure that it received all the prescription drug rebates the TPA received from drug manufacturers and did not document

the receipt of the rebates. Drug rebates are determined based on volume and type of drug dispensed per agreements with drug manufacturers. According to WCPS records, pharmacy rebates totaled \$7.3 million during fiscal year 2023.

- WCPS did not verify the accuracy of the TPA's self-reported compliance with performance measures. For example, the TPA contract included 26 performance measures relating to medical and pharmacy services. Although the contract allowed for the assessment of penalties up to \$223,334 annually if the TPA did not meet the performance measures, WCPS had not determined whether any penalties should be assessed during the audit period.

### **Recommendation 8**

**We recommend that WCPS**

- a. establish procedures to verify the propriety of TPA claim billings including the review of supporting documentation;**
- b. conduct claims audits to assess the accuracy and validity of claims;**
- c. obtain and use detailed claim payment data to ensure that claims paid above the stop-loss limit are reimbursed by the TPA (repeat);**
- d. conduct pharmacy TPA audits to assess that all drug rebates due were received; and**
- e. establish a process to independently verify, on an annual basis, the TPA's compliance with reported performance measures and assess penalties when performance goals are not met.**

### **Finding 9**

**WCPS did not have memorandums of agreement (MOA) with its affiliated foundations to address each entity's roles and responsibilities.**

### **Analysis**

WCPS did not have memorandums of agreement (MOA) with its affiliated foundations, the Barbara Ingram School for the Arts Foundation (BISFAF) and the Washington County Public Schools Education Foundation (WCPSEF), to address each entity's roles and responsibilities. The affiliated foundations are tax exempt charitable organizations under Section 501(c)(3) of the Internal Revenue Service (IRS) code that were created in 2007 and 2008, respectively.

According to filings with the IRS and the respective foundations' websites, the BISFAF's purpose is to advance exceptional arts education by providing resources and funding, and the WCPSEF's purpose is to enhance education for all students by securing resources to support innovative teaching and learning. Given the affiliated foundations' public purposes and their relationship to WCPS, it

would be appropriate for WCPS to enter into formal MOAs that specify the roles and responsibilities of each entity, which could include the following:

- The foundations' solicitation, collection, and administration of funds, including an investment policy. These would address controls over collected funds including proper collateralization of funds, the use of interest-bearing accounts, and procedures for the accounting and reporting of fund balances. The policies should also address the need for a long-term plan to maximize the use of unrestricted funds.
- The foundations' conflict of interest policy for board members and foundation employees. Although both foundations had conflict of interest policies, they did not have comprehensive ethics policies as provided for under the State Ethics law, which addresses standards of conduct, ethics training, and completing annual financial disclosures by board members and officers. Such policies would provide additional assurance regarding the integrity of the foundations' boards and their processes and should include a requirement to advise WCPS of conflict of interest issues.
- The foundations' procurement policies for purchases of goods and services donated to WCPS.
- The foundations' submission of an annual audit report to WCPS' Board of Education.
- WCPS' sharing of priorities, projects and resource requirements; including the sharing of any data to assist the foundations' efforts.
- WCPS' providing of any in-kind support functions and the use of its facilities to the foundations.

According to BISFAF's fiscal year 2023 audited financial statements, revenues and expenditures totaled \$274,000 and \$242,000, respectively and assets totaled \$2.1 million as of June 30, 2023. According to WCPSEF's unaudited financial statements for fiscal year 2023, reported revenues and expenditures totaled \$111,000 and \$128,000, respectively and assets totaled \$69,000 as of June 30, 2023.

#### **Recommendation 9**

**We recommend that WCPS enter into MOAs with its affiliated foundations detailing the roles and responsibilities for each entity in the above-mentioned**

**critical areas such as conflicts of interest, collection and safeguarding funds, and procurement policies.**

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

We have conducted a performance audit of the Washington County Public Schools (WCPS). We conducted this audit under the authority of the State Government Article, Section 2-1220(e) of the Annotated Code of Maryland, which generally requires that every 6 years we audit each of the 24 local school systems to evaluate the effectiveness and efficiency of financial management practices. This performance audit was performed 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 WCPS procedures and controls were effective in accounting for and safeguarding its assets.
2. Evaluate whether the WCPS policies provided for the efficient use of financial resources.

In planning and conducting our audit of WCPS, 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 11 major financial-related areas included revenue and billing, federal funds, procurement and disbursements, human resources and payroll, equipment control, information technology security and control, facilities, transportation, food service, school board oversight, and the management of other risks (such as health care).

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 WCPS dated May 14, 2019, 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 WCPS 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 WCPS. We also interviewed personnel at WCPS 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 WCPS operations. We also tested transactions and performed other auditing procedures that we considered necessary to achieve our objectives, generally for the period from July 1, 2021 to June 30, 2023.

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 WCPS' 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 WCPS 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.

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

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

The State Finance and Procurement Article, Section 3.5-301(b), states that cybersecurity is defined as “processes or capabilities wherein systems, communications, and information are protected and defended against damage, unauthorized use or modification, and exploitation.” Based on that definition, and in our professional judgment, we concluded that certain findings in this report fall under that definition. Consequently, for the publicly available audit report all specifics as to the nature of cybersecurity findings and required corrective actions have been redacted. We have determined that such aforementioned practices, and government auditing standards, support the redaction of this information from the public audit report. The specifics of these cybersecurity findings have been communicated to WCPS and those parties responsible for acting on our recommendations in an unredacted audit report.

We conducted our fieldwork from November 2023 to April 2024. WCPS’ response to our findings and recommendations is included as an appendix to this report. Depending on the version of the audit report, responses to any cybersecurity findings may be redacted in accordance with State law. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise WCPS regarding the results of our review of its response.

APPENDIX



**Jeffrey Proulx**, CHIEF OPERATING OFFICER

10435 Downsville Pike, Hagerstown, MD 21740  
301-766-2827 | ProulJef@wcps.k12.md.us

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January 31, 2025

Brian S. Tanen, CPA, CFE  
Legislative Auditor  
Department of Legislative Services  
351 W. Camden Street  
Suite 400  
Baltimore, MD 21201

Dear Mr. Tanen,

Enclosed is the copy of Washington County Public Schools' response to the draft of the Financial Practices Performance Audit that was issued on January 17, 2025.

If you have any questions or need any additional information, please contact me on (301) 766-2827.

Sincerely,

A handwritten signature in blue ink, reading "Jeffrey M. Proulx", is written over a light blue circular background.

Jeffrey M. Proulx  
Chief Operating Officer

Enclosure

CC: Dr. David T. Sovine, Superintendent of Schools

# Washington County Public Schools

## Agency Response Form

### Procurement and Disbursement Cycle

#### **Finding 1**

**Certain requirements of State law and recognized best practices were not incorporated into WCPS procurement policies and were not consistently used when participating in intergovernmental cooperative purchasing agreements (ICPAs).**

**We recommend that WCPS incorporate the aforementioned statutory requirements and other identified and acknowledged best practices into its procurement policies and ensure that the performance of the requirements and best practices are documented when evaluating and participating in ICPAs.**

Agency Response			
<b>Analysis</b>			
<b>Please provide additional comments as deemed necessary.</b>			
<b>Recommendation 1</b>	<b>Agree</b>	<b>Estimated Completion Date:</b>	<b>March 2025</b>
<b>Please provide details of corrective action or explain disagreement.</b>	WCPS will include the statutory requirement and other identified best practices. We will create a worksheet to reflect these requirements and best practices to ensure we are following them with each ICPA. The worksheet will be added to any supporting documents submitted to the purchasing department through the requisition process.		

# Washington County Public Schools

## Agency Response Form

### Finding 2

WCPS published contract awards on its website instead of on *eMaryland Marketplace Advantage (eMMA)* as required by State procurement law.

We recommend that WCPS comply with State procurement law by publishing contract awards on *eMMA* as required, including those noted above.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 2	Agree	Estimated Completion Date:	January 2025
Please provide details of corrective action or explain disagreement.	WCPS will publish the name of the awarded vendor on eMMA as required by law. WCPS will seek training from DGS to determine the proper method and whether our staff has the appropriate rights to meet this recommendation.		

# Washington County Public Schools

## Agency Response Form

### **Finding 3**

**WCPS did not competitively procure a \$3.6 million nursing services contract that has been awarded annually to the same vendor since 2013, and did not obtain available supporting documentation to ensure that related billings were proper.**

**We recommend that WCPS**

- a. ensure that contracts are competitively procured and awarded, to allow for the best possible contract prices; and**
- b. use available supporting documentation from the vendor (such as, timesheets and staff assignment reports) to validate the propriety of vendor billings.**

Agency Response			
<b>Analysis</b>			
<b>Please provide additional comments as deemed necessary.</b>			
<b>Recommendation 3a</b>	Agree	<b>Estimated Completion Date:</b>	June 2025
<b>Please provide details of corrective action or explain disagreement.</b>	WCPS is developing an RFP for these services and will put out the RFP during the current fiscal year and award the RFP in time for the start of the next school year (August 2025).		
<b>Recommendation 3b</b>	Agree	<b>Estimated Completion Date:</b>	July 2025
<b>Please provide details of corrective action or explain disagreement.</b>	WCPS plans to change the procurement type from a reimbursable contract to a lump sum contract paid in equal payments over the course of the year. Any allowances under the contract will be required to be substantiated with appropriate documentation as noted in the finding.		

# Washington County Public Schools

## Agency Response Form

### Human Resources and Payroll

#### **Finding 4**

**WCPS did not independently review payroll adjustments for propriety.**

**We recommend that WCPS perform a documented independent supervisory review of payroll adjustments to ensure that they are appropriate and properly supported (repeat).**

Agency Response			
<b>Analysis</b>			
<b>Please provide additional comments as deemed necessary.</b>			
<b>Recommendation 4</b>	<b>Agree</b>	<b>Estimated Completion Date:</b>	<b>March 2025</b>
<b>Please provide details of corrective action or explain disagreement.</b>	WCPS will create custom reports to review leave adjustments monthly. The payroll supervisor will also randomly audit various leave adjustments on a bi-weekly basis. Overtime, summer school, and other additional pay items are already reviewed for duplicates via in-house reports and approved by the employee's supervisor prior to submission to the payroll department. Payouts over a threshold will be reviewed and approved by the payroll supervisor.		

# Washington County Public Schools

## Agency Response Form

### Information Technology

OLA has determined that the Information Technology section, including Findings 5 through 7 related to “cybersecurity”, as defined by the State Finance and Procurement Article, Section 3.5-301(b) of the Annotated Code of Maryland, and therefore are subject to redaction from the publicly available audit report in accordance with State Government Article 2-1224(i). Although the specifics of the findings, including the analysis, related recommendations, along with WCPS’ responses, have been redacted from this report copy, WCPS’ responses indicated agreement with the findings and related recommendations.

**Finding 5**  
**Redacted cybersecurity-related finding.**

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

**Finding 6**  
**Redacted cybersecurity-related finding.**

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

**Finding 7**  
**Redacted cybersecurity-related finding.**

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



# Washington County Public Schools

## Agency Response Form

### Management of Other Risks

#### Finding 8

WCPS did not adequately monitor the performance of its third-party administrator that provided medical healthcare and pharmacy claims processing services.

We recommend that WCPS

- a. establish procedures to verify the propriety of TPA claim billings including the review of supporting documentation;
- b. conduct claims audits to assess the accuracy and validity of claims;
- c. obtain and use detailed claim payment data to ensure that claims paid above the stop-loss limit are reimbursed by the TPA (repeat);
- d. conduct pharmacy TPA audits to assess that all drug rebates due were received; and
- e. establish a process to independently verify, on an annual basis, the TPA's compliance with reported performance measures and assess penalties when performance goals are not met.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 8a	Agree	Estimated Completion Date:	July 2025
Please provide details of corrective action or explain disagreement.	WCPS began receiving the SOC reports in the fall of 2024. WCPS will document its review and recommendations provided by WCPS to the TPA.		
Recommendation 8b	Agree	Estimated Completion Date:	December 2025
Please provide details of corrective action or explain disagreement.	A standard claims audit is expected to be completed in 2025		
Recommendation 8c	Agree	Estimated Completion Date:	March 2025

# Washington County Public Schools

## Agency Response Form

<b>Please provide details of corrective action or explain disagreement.</b>	WCPS has been utilizing its benefits consultant to examine the claim payment data to guarantee the accuracy of the reimbursement for individuals who exceed the stop loss threshold. If there is a difference between the expected reimbursement and the actual reimbursement, individual reports are requested and reviewed by the consultant. Moving forward, WCPS will conduct and document an internal review after receiving verified reimbursement reports from the consultant noting the accuracy of claims reimbursements.		
<b>Recommendation 8d</b>	Agree	<b>Estimated Completion Date:</b>	March 2025
<b>Please provide details of corrective action or explain disagreement.</b>	WCPS utilizes its benefits consultant to verify the accuracy of rebates. If there is a difference between the expected and actual rebate, individual reports are requested and reviewed by the consultant. WCPS will conduct and document an internal review after receiving verified rebates from the consultant. WCPS will evaluate adding an annual rebate audit under our benefit services administration contract to obtain a more thorough annual review of prescription rebates.		
<b>Recommendation 8e</b>	Agree	<b>Estimated Completion Date:</b>	September 2025
<b>Please provide details of corrective action or explain disagreement.</b>	WCPS its benefits consultant to review performance guarantees for accuracy of the calculations that are self-reported by the TPA. WCPS will conduct and document an internal review after receiving verified performance guarantees from the consultant. Additionally, WCPS will work with its benefits consultant to also request additional supporting documentation to verify the accuracy of the self-reported performance of the TPA.		

# Washington County Public Schools

## Agency Response Form

### **Finding 9**

**WCPS did not have memorandums of agreement (MOA) with its affiliated foundations to address each entity's roles and responsibilities.**

**We recommend that WCPS enter into MOAs with its affiliated foundations detailing the roles and responsibilities for each entity in the above-mentioned critical areas such as conflicts of interest, collection and safeguarding funds, and procurement policies.**

Agency Response			
<b>Analysis</b>			
<b>Please provide additional comments as deemed necessary.</b>			
<b>Recommendation 9</b>	<b>Agree</b>	<b>Estimated Completion Date:</b>	<b>June 2025</b>
<b>Please provide details of corrective action or explain disagreement.</b>	Memorandums of Agreement will be drafted and executed by the respective parties as recommended.		

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