

Financial Management Practices Audit Report

Wicomico County Public Schools

October 2020



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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Executive Director

DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Gregory A. Hook, CPA
Legislative Auditor

October 8, 2020

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 Wicomico 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 WCPS needs to improve internal controls and accountability in certain areas, including payroll processing, information systems, and procurement and disbursements. For example, adequate access controls had not been established over its financial management system.

We also found that significant risks existed within WCPS' computer network. For example, monitoring of security activities over critical systems was not sufficient and its computer network was not properly secured. In this regard, publicly accessible servers were located in the WCPS internal network rather than being isolated in a separate protected network zone to minimize security risks.

In addition, WCPS' procurement policies were not sufficiently comprehensive and WCPS did not always verify amounts billed with contract terms for intergovernmental cooperative purchasing agreements. Furthermore, we identified certain practices which, if implemented, could provide opportunities for achieving cost savings in student transportation. Specifically, WCPS had not performed a system-wide route analysis, and some bus routes were operating at less than 50 percent of the desired capacity at the time of our review, which was before the COVID-19 pandemic health crisis. We also found that certain elements of the payments to bus contractors could not be supported and included

costs that should not have been reimbursed, resulting in higher payments than necessary for student transportation 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 13 of the 14 findings contained in our preceding audit report. We determined that WCPS satisfactorily addressed 7 of these findings. The remaining 6 findings are repeated in this report as 5 findings.

We conducted our audit fieldwork from October 7, 2019 to May 4, 2020. A portion of our fieldwork included time in which the State's 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. Although all WCPS buildings were closed for a portion of our fieldwork, the objectives and scope of our audit were not significantly impacted. To the extent that the COVID-19 crisis continues to impact WCPS operations, certain recommendations in this report may need to be adjusted to ensure proper controls under the modified operations.

WCPS' response to this audit is included as an appendix to this report. We reviewed the response to our findings and related recommendations, and have concluded that the corrective actions identified are sufficient to address all audit issues. Finally, we have edited WCPS' response to remove certain vendor names or products, as allowed by our policy.

We wish to acknowledge the cooperation extended to us during the audit by WCPS and its willingness to address the audit issues and implement appropriate corrective actions.

Respectfully submitted,

A handwritten signature in black ink that reads "Gregory A. Hook". The signature is written in a cursive, flowing style.

Gregory A. Hook, CPA
Legislative Auditor

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Background Information

Statistical Overview

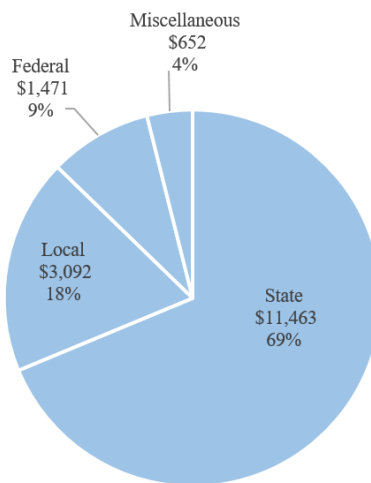
Enrollment

According to student enrollment records compiled by the Maryland State Department of Education (MSDE), Wicomico County Public Schools (WCPS) ranks 15th in student enrollment among the 24 public school systems in Maryland. Fiscal year 2019 full-time student enrollment was 14,949 students. WCPS had 27 schools, consisting of 16 elementary, 4 middle schools, 4 high schools, and 3 other types of schools (including alternative, vocational, and early learning).

Funding

WCPS revenues consist primarily of funds received from the State, Wicomico County, and the federal government. According to WCPS' audited financial statements, revenues from all sources totaled approximately \$249 million in fiscal year 2019; including approximately \$171 million from the State. See Figure 1 below for WCPS' revenue sources per enrolled student in fiscal year 2019 according to its audited financial statements.

Figure 1
WCPS' Revenue Sources Per Enrolled Student
Fiscal Year 2019

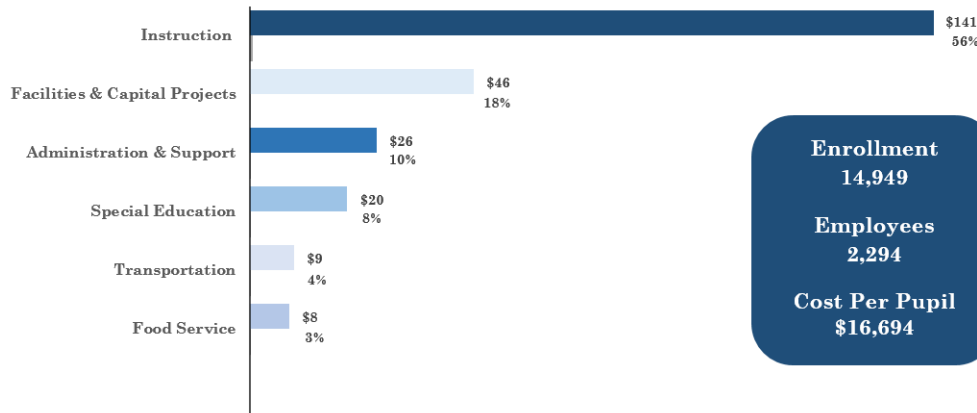


Source: WCPS' Fiscal Year 2019 Audited Financial Statements and MSDE Data

Expenditures

According to WCPS' audited financial statements, fiscal year 2019 expenditures were approximately \$250 million. The largest expenditure category was salaries and wages, including benefits, which accounted for approximately 72 percent of total expenditures during fiscal year 2019. According to MSDE records, during the 2018-2019 school year, WCPS had 2,294 full-time equivalent positions, which consisted of 1,650 instructional and 644 non-instructional positions (see Figure 2).

Figure 2
WCPS Expenditures by Category and Selected Statistical Data
Fiscal Year 2019
(amounts in millions)



Source: WCPS' Fiscal Year 2019 Audited Financial Statements and MSDE Data

Oversight

WCPS is governed by a local school board, consisting of seven elected voting members and four non-voting student members. In accordance with State law, MSDE provides considerable oversight of WCPS through the establishment and monitoring of various financial and academic policies and regulations. MSDE also works with WCPS to comply with the requirements and mandates of federal law. The Wicomico County government also exercises authority over WCPS primarily through the review and approval of WCPS' annual operating and capital budgets.

External Audits

WCPS engages a certified public accounting firm to independently audit its annual financial statements. The audit firm performs procedures to verify the amounts and disclosures in the financial statements. The audit 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, 2015, 2016, 2017, 2018, and 2019, and the 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. This report is an integral part of the annual independent audited annual financial statements. Furthermore, 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 certain program requirements.

We reviewed the aforementioned financial statement audits for fiscal years 2015 through 2019, and examined the related work papers for the fiscal year 2019 audit. We also reviewed the Single Audit reports for fiscal years 2015 through 2018 and the related work papers for the fiscal year 2018 Single Audit, which was 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

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 13 of the 14 findings contained in our preceding audit report dated March 5, 2014. As disclosed in Table 1, we determined that WCPS satisfactorily addressed 7 of these findings. The remaining 6 findings are repeated in this report as 5 findings.

Table 1
Status of Preceding Findings

Preceding Finding	Finding Description	Implementation Status
Finding 1	WCPS did not adequately restrict user access capabilities on its automated procurement and accounts payable system.	Repeated (Current Finding 3)
Finding 2	WCPS does not have a formal policy on acceptable uses of corporate purchasing cards.	Not repeated
Finding 3	WCPS did not adequately restrict user access capabilities on its automated human resources and payroll system and certain payroll transactions were not independently reviewed.	Repeated (Current Finding 3)
Finding 4	Certain WCPS employees received pay increases larger than provided for in the labor agreement.	Not repeated
Finding 5	Internal controls and procedures over equipment disposals, records, and access to records were not adequate.	Not repeated (Not followed up on)
Finding 6	Account, password, and monitoring controls over critical systems were not adequate.	Repeated (Current Finding 5)
Finding 7	WCPS did not have an Information Technology Disaster Recovery Plan and certain backup files for critical network devices were not properly stored.	Not repeated
Finding 8	The WCPS computer network was not adequately secured against intrusions.	Repeated (Current Finding 6)
Finding 9	WCPS' bus routing procedures were not comprehensive and automated routing software capabilities were not adequately utilized to develop more efficient routes.	Repeated (Current Finding 7)
Finding 10	WCPS did not base certain elements used to determine payment amounts to bus contractors on market conditions or actual costs.	Repeated (Current Finding 8)
Finding 11	WCPS did not adequately ensure the accuracy of data used to compute certain payments to the bus contractors.	Not repeated
Finding 12	Food services invoices were not adequately verified prior to payment.	Not repeated
Finding 13	WCPS did not competitively bid health care contracts for administrative services and stop-loss coverage.	Not repeated
Finding 14	WCPS did not ensure the propriety of payments for certain employee and retiree health care costs.	Not repeated

Findings and Recommendations

Revenue and Billing Cycle

Background

Wicomico County Public Schools (WCPS) revenues consist primarily of funds received from the State, Wicomico County, and the federal government.

According to WCPS' audited financial statements, revenues from all sources totaled approximately \$249 million in fiscal year 2019; including approximately \$171 million from the State.

External Audits

There were similarities between the work of the independent certified public accounting firm that audited the WCPS 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 2019, school activity collections totaled \$2.5 million and the June 30, 2019 fund balance was \$643,000.

WCPS' Board of Education (the Board) has a fiduciary responsibility to ensure that school activity funds were used only for intended purposes. WCPS contracts with an independent certified public accountant (CPA) to conduct annual reviews of the school activity funds at each of its schools. The reviews consisted of evaluating and testing compliance with the *WCPS Accounting Manual for Bookkeepers*. The *Manual* establishes standard procedures for all schools to follow to ensure school activity funds are adequately safeguarded and accounted for in a uniform manner. The results of the CPA's reviews were provided to the respective school's principal and WCPS management to be addressed. Our review of the CPA's findings during fiscal years 2018 and 2019 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 misuse of funds.

In addition to the annual reviews performed by the CPA, a finance department employee conducts school activity fund reviews to determine compliance with the *Manual* by testing collections and disbursements, and ensuring that funds have been properly accounted for. These internal school activity fund reviews are performed at all schools annually and the related findings are discussed with school principals and bookkeepers. The resultant reports we reviewed disclosed that internal controls weaknesses were not prevalent and that control weaknesses at certain schools were addressed by school management.

Conclusion

Based on our current assessment of significance and risk relative to our audit objectives, and the consideration of the work performed by the independent CPA and reviews performed by WCPS' finance department, we relied on this work 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.

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 2019 expenditures of federal funds totaled \$20.3 million, not including federally funded fee-for-service programs such as Medicaid reimbursement for special education services.

Single Audit Report Disclosed No Reportable Conditions Regarding Federal Grant Management

There were similarities in the work performed by the independent certified public accounting firm 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 year 2019.

The related report stated that WCPS 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 auditors did not identify any material weaknesses or significant deficiencies.

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 August 2019 of the results of its review of 51 student case files for 72 criteria (including the correct billing of Medicaid for eligible services). The report found that WCPS was 100 percent compliant with 71 criteria and 90 percent compliant with the remaining criteria. According to WCPS records, fiscal year 2019 state and federal reimbursements for Medicaid-subsidized services totaled approximately \$2.9 million.

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. 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 WCPS records, disbursements, excluding payroll, totaled \$69.4 million during fiscal year 2019. WCPS uses an automated system for purchases and disbursements. Requisitions are created in the system by departments and are subject to on-line departmental and purchasing department approvals. Purchase orders are prepared on the system by the purchasing department based on the approved requisitions. The purchasing department also generally handles the solicitation, bid evaluation, and establishment of contracts. The receipt of goods and services is entered into the automated system by the receiving school or department. Payments are then processed by the finance department through the automated system that matches receiving reports to appropriate purchasing documents and then prints vendor checks and posts the payment to the financial records.

WCPS' written procurement policies require that procurements exceeding \$25,000 (\$50,000 effective November 7, 2017) be competitively bid in accordance with Section 5-112 of the Education Article of the Annotated Code of

Maryland. Contracts and agreements exceeding \$50,000 are to be approved by the Board.

Finding 1

WCPS procurement policies did not incorporate certain requirements of State law and recognized best practices when evaluating the merits of participation in intergovernmental cooperative purchasing agreements (ICPA). In addition, ICPA invoices were not always properly approved and verified to related price lists.

Analysis

WCPS procurement policies did not incorporate certain requirements of State law and recognized best practices when evaluating the merits of an ICPA for participation. Specifically, the following statutory requirement and critical best practices were not included in WCPS' policies and were not consistently used when obtaining goods and services under an ICPA.

- 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 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 WCPS' participation in 10 ICPAs during fiscal years 2015 through 2020 with contract awards totaling approximately \$14 million (including 3 construction contracts totaling \$4.8 million). Our review disclosed that WCPS 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 six 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 four best practices was not performed for any of the ten ICPAs.

Incorporating the statutory requirement and best practices into WCPS policies could help ensure they are consistently used when goods and services are obtained

under an ICPA. In this regard, another best practice (allowing utilization by other parties) that had been included in the WCPS policies was incorporated into all 10 of the ICPAs we reviewed.

In addition, WCPS did not ensure that amounts invoiced by ICPA vendors agreed with the related contract pricing. Specifically, our test of 24 payments totaling \$3.4 million related to the 10 ICPAs reviewed above disclosed that for 15 payments totaling \$2.8 million, WCPS 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 11 payments totaling \$1.9 million were not sufficiently detailed or contained differing product descriptions and could not be verified to inclusion in the ICPA. We also identified 2 payments totaling \$623,000 for computer equipment that were approved for payment by accounting management personnel without knowledge that the items billed had been received. Although the invoices for 11 of the 24 payments tested did not have sufficient detail to verify that the prices charged were appropriate and in accordance with the governing ICPA, we were able to determine the reasonableness of the prices charged on the invoices for the remaining 13 payments through available price lists or internet searches of comparable items.

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 cooperation¹. Further, 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 that 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, the contract was awarded through a competitive procurement process, and requires that

¹ 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.

addendums be executed documenting their participation and incorporating local required terms and conditions.

Recommendation 1

We recommend that WCPS establish and adhere to the aforementioned statutory requirement and six key best practices when using ICPAs.

Human Resources and Payroll

Background

Payroll expense represents the largest single cost component in the WCPS budget. According to WCPS records, fiscal year 2019 salary, wage, and benefit costs totaled \$180 million, representing approximately 72 percent of the total expenditures. According to Maryland State Department of Education reports, during the 2018-2019 school year WCPS had 2,294 full-time positions, which consisted of 1,650 instructional positions and 644 non-instructional positions.

WCPS uses automated systems to maintain human resources information, record employee time, track leave usage, and process and record payroll transactions. An identification badge scanning system is used for most full-time employees to create electronic bi-weekly timesheets for on-line supervisory approval, while manual timesheets are used for the remaining employees. Employees are required to use direct deposit which is processed by WCPS' payroll system.

Finding 2

WCPS did not use available system reports to ensure that all electronic timesheets were validated and approved as required by its policy. Our review identified numerous timesheets that were not validated and/or approved as required.

Analysis

WCPS did not use available reports to ensure that all electronic timesheets were validated and approved as required by its policy. Our review of a system report for the pay period ending May 31, 2019, generated by WCPS at our request, disclosed that 144 of the 1,627 timesheets (9 percent) did not have supervisory approval including 78 that also were not validated by the applicable employee. Payroll payments for these 144 time sheets totaled \$323,000. Our test of payroll for other pay periods disclosed similar results.

The majority of WCPS employees (such as teachers, administrators, and hourly employees) prepared their timesheets by using an identification badge scanning

system to create electronic bi-weekly timesheets. WCPS' *Employee Handbook* stipulates that all WCPS employees must record their time and attendance in the electronic time keeping system. We were advised by payroll personnel that employees must validate their electronic timesheet in the automated time keeping system within one work day after the end of the pay period and the respective direct supervisor must approve the timesheet within two work days. The failure to validate and approve the time sheets results in a lack of assurance as to the accuracy of the hours reported and could affect the amount of pay received by certain employees.

Recommendation 2

We recommend that WCPS use available reports from the automated time keeping system to ensure all timesheets are validated and approved, including those noted above.

Equipment Control and Accountability

Background

According to WCPS' notes to the audited financial statements, the undepreciated value of its capital equipment was \$38.5 million as of June 30, 2019. WCPS maintains centralized automated records for equipment with a cost of \$5,000 or more (including assets capitalized for financial statement purposes). In addition, WCPS' Management Information Systems Department maintains inventory records for all sensitive items that are susceptible to theft such as computers (laptops, tablets) and small items (cameras, portable tools) regardless of cost.

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

WCPS' Management Information Systems Department maintains and administers the WCPS financial, payroll, human resources, and student information systems applications. The WCPS Technology Infrastructure Services Department maintains and administers the WCPS telecommunications networks and a data center server room. The WCPS network provides for connections to its individual schools or offices. The data center contains core networking equipment and

various servers used for supporting WCPS' critical applications and broader information technology operations.

Finding 3

WCPS did not ensure employee access to its automated financial systems applications was appropriate and adequately controlled resulting in employees with unnecessary or incompatible access.

Analysis

WCPS did not ensure employee access to its automated financial system applications (such as, procurement, account payable, human resources, and payroll) was appropriate and adequately controlled resulting in employees with unnecessary or incompatible access. Although we were advised by WCPS finance department personnel that they annually reviewed employee access, the review did not include an assessment if employees had incompatible capabilities or unnecessary access.

- Our review of access granted to 199 employees we deemed to have critical capabilities on the procurement system (such as the ability to process purchase orders or invoices) disclosed that 6 had incompatible capabilities, including the ability to initiate and approve purchase orders or invoices without independent review and approval. Two of these employees could also change vendor data such as names and addresses.
- Our review of access granted to 21 employees we deemed to have critical capabilities on the human resources and payroll systems (such as adding employees and processing payroll transactions) disclosed that 9 had unnecessary access. For example, 4 employees had access that allowed them to add or make changes to salary schedules and we determined that such access was not necessary for their job duties.
- Five other employees with critical procurement, human resources, and payroll access capabilities also had system administrator functions that allowed them to add or change employee access, including their own, and change system settings without independent review and approval. Absent the ability to restrict this access, WCPS should generate reports to independently monitor any access changes or financial transactions processed by these employees. In addition, we concluded that the access for one of these employees should be deleted because it was not needed.

In response to our request, WCPS generated a report of transactions and adjustments which disclosed that only one of the five employees with system

administrator access processed transactions. Our test of transactions and adjustments, including certain of those processed by the aforementioned employee, disclosed that for the items tested, they appeared proper. Similar conditions regarding the assignment of system access capabilities were commented upon in our preceding audit report.

Recommendation 3

We recommend that WCPS ensure that adequate controls are in place over its automated financial systems. Specifically, we recommend that WCPS

- a. periodically (such as annually) perform a documented review of system capabilities assigned to employees to ensure critical functions are assigned to employees who need those capabilities to perform their job duties, ensure that critical functions are properly separated, and remove any unnecessary employee access (repeat); and**
- b. generate a report to identify any access changes or financial transactions processed by system administrators for independent supervisory review.**

Finding 4

Sensitive personally identifiable information was maintained in a manner that did not provide adequate security safeguards.

Analysis

Sensitive personally identifiable information (PII) was maintained in a manner that did not provide adequate safeguards. WCPS used two significant computer applications which contained sensitive PII and existed without adequate security safeguards. As of December 2019, we noted that these applications' databases contained 59,460 and 16,068 unique sensitive information records respectively, which were maintained in a manner that made the information vulnerable to improper disclosure. WCPS personnel advised us that this sensitive PII was not subject to other data transfer protection controls. Detailed sensitive aspects of this finding were omitted from this report, however the related detailed information was previously shared with WCPS for purposes of implementing the following recommendation.

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

Recommendation 4

We recommend that WCPS implement appropriate information security safeguards for its sensitive PII.

Finding 5

WCPS' financial and student information system applications lacked security activity monitoring, and password controls for these applications and the internal computer network were not sufficient.

Analysis

WCPS' financial and student information system applications lacked security activity monitoring, and password controls for these applications and the internal computer network were not sufficient.

- WCPS did not generate reports of security and audit events or non-production, direct database changes for its student information system. Furthermore, although reports of security and audit events, including direct database changes, were generated for its financial system application, WCPS personnel advised us that these reports were not reviewed. WCPS' financial system application contains critical information involving but not limited to payroll and accounts payable, while the student information system contains student grades and other significant demographic information. These conditions precluded the effective monitoring of security events applicable to the financial and student information systems.

Best practices identified in the State of Maryland *Information Technology Security Manual* require that information systems generate reports of audit records for all security-relevant events, including all security and system administrator accesses. In addition, procedures must be developed to routinely (for example daily or weekly) review reports of audit records for indications of unusual activities, suspicious activities, or suspected violations, and to report findings to appropriate officials for prompt resolution.

- Multiple password controls over WCPS' internal network and its financial and student information systems did not meet the minimum recommended settings in the State's *Manual*. For example, password aging, history, length, and complexity control settings were either not enforced or did not provide a sufficient level of security for various groups of accounts used for accessing WCPS' network or critical applications. A similar condition was commented upon in our preceding audit report.

Recommendation 5

We recommend that WCPS

- a. generate reports of all critical security and audit events for its financial and student information system applications, regularly review these reports, document these reviews, and retain this documentation for future reference; 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* (repeat).**

Finding 6

Twelve publicly accessible servers were improperly located within WCPS' internal network.

Analysis

WCPS' internal computer network was not adequately secured with respect to public access. We noted that certain publicly accessible servers were located in the WCPS internal network rather than being isolated in a separate protected network zone to minimize security risks. These servers, if compromised, could expose the broader internal network to attack from external sources. Best practices, identified in the State's *Information Technology Security Manual* require that publicly accessible servers reside in an external protected network zone to safeguard those servers as well as the entity's internal network. A similar condition was commented upon in our preceding audit report.

Recommendation 6

We recommend that WCPS relocate all publicly accessible servers to a separate protected network zone to limit security exposures to the internal network segment (repeat).

Facilities Construction, Renovation, and Maintenance

Background

WCPS employs a staff of 177 employees to maintain 27 schools (including alternative, vocational, and early learning) and a number of other facilities (such as administrative and support offices). According to its fiscal year 2020 Capital Improvement Plan, necessary construction, major renovations, and systemic improvements to WCPS' facilities over the next six years are estimated to cost approximately \$399 million.

WCPS Capital Projects Were Properly Approved and Related Expenditures Were Generally Properly Supported

Our review of 10 construction-related procurements awarded during fiscal years 2015 to 2019 totaling \$31 million, which included 3 ICPAs totaling 4.8 million (for air conditioning and roofing materials and labor), disclosed that all 10 contracts were properly approved by the Board. In addition, our test of 30 invoices totaling \$6.9 million for these contracts disclosed that, generally, the invoices were properly supported and the amounts invoiced were in accordance with contract terms.

However, as commented upon in Finding 1, WCPS frequently did not comply with governing State law for ICPAs or follow related best practices. In addition, WCPS did not always obtain available ICPA price information, and the invoices for ICPAs, including those for air conditioning equipment and roofing materials, were often insufficiently detailed or contained differing descriptions to be able to verify to ICPA price information, and the receipt of listed manufacturer discounts were not verified.

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 to minimize energy costs. For example, WCPS provides preventive maintenance of its buildings and equipment to prevent emergency repairs. In addition, WCPS uses vendor energy metering systems to monitor heating and air conditioning usage and related costs. WCPS also has written policies that encourage both students and employees to be aware of and limit their energy use. WCPS also makes use of solar alternative energy sources. Finally, WCPS participates in a consortium with other Eastern Shore entities to purchase energy at the best possible terms for members of the consortium. According to documents provided by WCPS from the consortium (which we did not audit), WCPS saved over \$3.7 million through energy cost avoidance from fiscal years 2001 to 2019.

Conclusion

Our audit did not disclose any significant deficiencies in the design or operation of WCPS' 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 (other than the ICPA issues previously addressed in Finding 1).

Transportation Services

Background

According to statistics compiled by the Maryland State Department of Education (MSDE), WCPS has approximately 13,000 students eligible to receive student transportation service. WCPS reported that 2.1 million route miles were traveled to transport students for the 2018-2019 school year. These students were transported using 106 contractor-owned buses and 22 system-owned buses. According to WCPS financial records, fiscal year 2019 transportation costs totaled \$9.2 million with \$6.4 million (70 percent) representing payments for the contracted bus services.

Payments to bus contractors consist of a per-vehicle allotment (PVA) intended as reimbursement for the cost of purchasing a bus and a flat rate for return on investment, hourly reimbursements for drivers, a per-mile maintenance fee, fuel costs, and an annual administrative fee. WCPS bus contracts are for an initial 5-year term subject to annual renewal over the 15-year useful life of the bus. The contracts can be terminated by the Board at its discretion for cause or budgetary restraints by giving 60 days' notice, or by either party giving written notice 30 days prior to June 30 of the upcoming school year.

Finding 7

WCPS did not fully use its automated bus routing software to identify alternative routes, or route and/or bus stop consolidations that might reduce costs. Our review disclosed more than half of WCPS routes did not meet the minimum bus capacity goals.

Analysis

WCPS did not fully use its automated bus routing software to identify alternative routes, route consolidations, or bus stop consolidations that might reduce costs. For example, the software could produce an optional system-wide report of possible new routes based upon the existing bus stop system data. Instead, we were advised that transportation department employees reviewed existing individual bus routes annually and, as needed, throughout the year, and manually made modifications to accommodate students' school assignments and other issues. Consequently, routes may be inefficiently designed and could result in significantly underutilized capacity on individual buses and in operating more buses than necessary to fulfill WCPS' transportation needs.

Our review of routing system data for 83 of the 112 regular buses for the 2019-2020 school year, disclosed that 53 of the 98 morning route portions were

designed to transport students at less than 75 percent of WCPS' written bus capacity goals², including 17 routes that transported students at less than 50 percent of its bus capacity goals. While we recognize that Wicomico County includes large rural areas, which can make it difficult to maximize ridership in all cases, the aforementioned 53 morning bus routes included 38 routes that served more densely populated urban regions and 15 routes that served rural regions, based on destination schools.

Similar conditions were commented upon in our preceding audit report. In response to our preceding audit report, WCPS agreed that utilizing its automated routing software package would result in greater routing efficiency.

Recommendation 7

We recommend that WCPS use its automated bus routing software to periodically perform a system-wide analysis of bus routes to maximize the ridership on its bus routes (repeat).

Finding 8

Certain elements of the payments to bus contractors could not be supported, and included costs that should not have been reimbursed, resulting in higher payments than necessary for student transportation services.

Analysis

Certain elements of the payments to bus contractors could not be supported and included costs that should not have been reimbursed, resulting in higher payments than necessary for student transportation services. As a result, during the 2017-2018 school year, the WCPS cost per mile for transporting students (\$4.89) was higher than the average cost per mile for four other similarly sized school systems (\$3.90).

- The methodology used to calculate the PVA paid to the 48 bus contractors could not be supported and may not have been in the best interest of WCPS. A primary component of the PVA payment is the allowable return on investment (ROI). There is no generally agreed upon formula or method for determining ROI; however, a consultant hired by another school system in

² For example, WCPS' bus capacity goals for a 64-passenger bus or larger (manufacturer stated capacity) were 48, 51, and 58 students for high school, middle school, and elementary school routes, respectively.

2012 recommended the prime rate plus two percent as a reasonable ROI³.

WCPS used an ROI of 9.46 percent in its payment formula for the 44 buses placed into service by contractors from fiscal years 2015 through 2020.

WCPS could not document the basis for the ROI used to enable an assessment of whether the rate was in the best interest of WCPS. In this regard, if WCPS would have used the prime rate plus two percent for the ROI calculation (at the time the buses were initially placed into service), we estimate that WCPS could have saved approximately \$2.6 million over the 15-year life of those buses. A similar condition was commented upon in our preceding report.

- WCPS could not document the basis for its payments for bus maintenance costs (\$0.849 per-mile during fiscal year 2019). Based on the number of reported miles driven by contractor buses; we estimate that WCPS paid approximately \$1.4 million for these costs. A similar condition was commented upon in our preceding report.
- WCPS reimbursed the bus contractors for federal fuel excise taxes and the State motor fuel taxes even though the contractors are exempt from these taxes under federal and State laws. Based on reported mileage during the 2018-2019 school year, we estimate that payments for these taxes totaled approximately \$139,000. Federal law provides that contractors are exempt from the \$0.244 per gallon federal excise tax and if paid, are able to receive a credit for these taxes when they file their income tax returns. State law also exempts contractors from State motor fuel taxes (\$0.3605 per gallon during fiscal year 2019) and allows them to claim a credit on their tax return for any taxes paid. A similar condition was commented upon in our preceding report.
- The standard contract language used by WCPS for its bus contracts did not include a right to audit provision. Such a provision would allow WCPS to verify the contractor's actual costs of purchasing and maintaining the buses when negotiating the PVA, hourly reimbursements for drivers, the per-mile maintenance fee, fuel costs, and the annual administrative fees. For example,

³ In 1975, an MSDE study recommended the prime rate as a reasonable ROI interest rate. The prime rate is actually a lending rate that nearly always exceeds the available market investment rate; therefore, it was deemed reasonable for the ROI calculation. The use of the prime interest rate was again recommended in a November 1999 study commissioned by another local Maryland school system. In 2012, another school system's consultant's report recommended the prime rate plus 2 percent as a reasonable ROI, which serves as the basis for our calculations. Finally, a May 2010 MSDE PVA Workgroup commented that the profit (or ROI) to be included in the PVA should reflect what a reasonable investor or businessperson would expect on a long-term investment, and not necessarily the prime rate. Under that assumption, we noted that as of December 2019, current 10 and 30-year US Treasury Note rates, which could be reflective of a reasonable long-term investment option, were 1.9 and 2.4 percent, respectively.

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 WCPS reevaluate its method of establishing payment amounts to bus contractors in future contracts (repeat). Specifically, we recommend that WCPS

- a. consider using an ROI to calculate the PVA payments to bus contractors that provides a reasonable rate of return consistent with the aforementioned past studies,**
- b. document the basis for maintenance costs paid to the bus contractors,**
- c. discontinue paying for fuel taxes and recover any amounts previously paid, and**
- d. include provisions to audit the bus contractors in future contracts and use the provisions to determine the actual cost of operating contractor buses.**

Food Services

Background

According to the audited financial statements, food service operating expenditures totaled \$7.7 million in fiscal year 2019, which were funded with federal funds totaling \$6.6 million and food sales totaling \$1.2 million. According to MSDE records, in fiscal year 2019 WCPS had 76 food service positions for its 27 schools, consisting of 72 cafeteria positions and 4 administrative positions.

According to MSDE records, 60 percent of WCPS students qualified for free and reduced-price meals as of October 31, 2018. Eight WCPS schools participate in the federal Community Eligibility Provision (CEP)⁴, which is a meal service option that allows schools in high poverty districts to serve meals to all students at no cost without collecting applications for free and reduced-price meals. WCPS is currently reimbursed for approximately 100 percent of the CEP food services cost at these schools.

⁴ Through CEP, schools are reimbursed for meals using a formula based on the percentage of students eligible for free meals because of their participation in other specific means-tested programs (such as the Supplemental Nutrition Assistance Program and Temporary Assistance for Needy Families).

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 services financial area of operations.

School Board Oversight

Background

The Wicomico County Board of Education (the Board) is composed of seven elected members. In addition, one student government representative for each of the four high schools is invited to attend meetings. As noted in the Background Information section, the Board contracted with a certified public accounting firm for independent audits of the WCPS financial statements and federal programs. To assist in its oversight of various areas of WCPS operations and governance, the Board has established several committees, such as Audit and Budget, Career Technology Education, Curriculum, Policy Review, School Buildings, and School Health. Additionally, the Board has established two advisory committees, the Parent Advisory Council and the School Staff Representatives, which meet with the Board at least twice a year and serve as channels for public concerns and information.

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

The WCPS 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, the Superintendent, and other administrators (Assistant Superintendents, Chief Financial Officer, Director of Procurement, and the Director of Human Resources) 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 2018 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 a member of the Wicomico County Public Entities Healthcare Consortium (hereafter referred to as the Consortium) for employee and retiree health care. The Consortium 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. WCPS is the largest member of the consortium as its claims represent 68 percent of the consortium's total claims for plan year 2018.

WCPS is self-insured and ultimately covers the cost of the medical services received by its employees. WCPS 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 WCPS against health insurance claim amounts that exceed \$250,000 per participant per plan year.

Medical providers submit claims to the TPA who pays them on behalf of WCPS. In a year-end settlement process, which segregates the participating agencies for the plan year ending August 31st, 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 WCPS to determine any excess amount due from or to be reimbursed to either party.

The Consortium contracts with two consultants to help manage the health plans. One consultant performs data analysis of the health services utilization and costs, provides recommendations on potential rate changes, and evaluates the merits of the health plan proposals. The other consultant audits medical claims processed by the TPA for compliance with the health plans, reconciles paid claims to the year-end settlements, and determines the reasonableness of stop-loss costs paid by the TPA.

As of November 1, 2019, WCPS provided health insurance benefits to approximately 5,750 enrolled employees, dependents, and retirees. According to TPA records, during the 2017-2018 contract year health care payments totaled \$35.6 million, including \$1.5 million for administrative fees and \$882,000 for stop-loss insurance coverage.

Conclusion

Our audit did not disclose any reportable conditions related to the management of other risks area of operations reviewed.

Audit Scope, Objectives, and Methodology

We conducted a performance audit to evaluate the effectiveness and efficiency of the financial management practices of the Wicomico 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, 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 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 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 March 5, 2014, included 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, 2018 to September 30, 2019. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk. Unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, the results of the tests 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.

We conducted our audit fieldwork from October 7, 2019 to May 4, 2020. A portion of our fieldwork included time in which the State's 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. Although all WCPS buildings were closed for a portion of our fieldwork, the objectives and scope of our audit were not significantly impacted. To the extent that the COVID-19 crisis continues to impact WCPS operations, certain recommendations in this report may need to be adjusted to ensure proper controls under the modified operations.

The WCPS 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 WCPS regarding the results of our review of its response.

APPENDIX

BOARD OF EDUCATION OF WICOMICO COUNTY



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SUPERINTENDENT OF SCHOOLS

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September 29, 2020

Gregory A. Hook, CPA
Department of Legislative Services
301 West Preston Street, Room 1202
Baltimore, MD 21201

Dear Mr. Hook,

Please accept this letter and associated document as our response to the audit of Wicomico County Public Schools (WCPS) as conducted by the Department of Legislative Services. This audit was completed October 7, 2019 through May 4, 2020 in collaboration and cooperation with WCPS staff. We value the input of the Department of Legislative Services and will move forward with the recommendations made in this report. If you have any questions, please do not hesitate to contact me at dhanlin@wcboe.org or 410-677-4495.

Donna C. Hanlin, Ed.D.
Superintendent

cc: Micah Stauffer, Ed.D.
Chief Finance and Operations Officer

Jesse Reid, CPA
Comptroller

Wicomico County Public Schools

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Procurement and Disbursement Cycle

Finding 1

WCPS procurement policies did not incorporate certain requirements of State law and recognized best practices when evaluating the merits of participation in intergovernmental cooperative purchasing agreements (ICPA). In addition, ICPA invoices were not always properly approved and verified to related price lists.

We recommend that WCPS establish and adhere to the aforementioned statutory requirement and six key best practices when using ICPAs.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	WCPS agrees with all of the background items as presented. WCPS agrees with this finding.		
Recommendation 1	Agree	Estimated Completion Date:	10/31/20
Please provide details of corrective action or explain disagreement.	<p>WCPS is committed to following best practices and requirements of State law when evaluating the merits of utilizing an ICPA. The Procurement Manager has always reviewed each ICPA to confirm competitive solicitation and evaluation process were consistent with Maryland laws prior to recommending their use.</p> <p>The Procurement Manager will develop a more formal documentation of this review and written determination. The Procurement Manager will develop an ICPA review checklist that includes:</p> <ul style="list-style-type: none">• Evaluation of WCPS' expertise, and cost for conducting its own competitive solicitation.• Evaluation of staff availability for managing the competitive solicitation.• Research, compare, and evaluate available ICPAs.• Verify the ICPA solicitation was competitively bid and publicly advertised.• Obtain originating agency's competitive procurement documentation. Such documentation includes Advertising, Bidding Documents, Bid Tabs, Evaluation and Award.• Verify that terms, scope of services, specifications and price meet the entity's needs.		

Wicomico County Public Schools

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	<ul style="list-style-type: none">• Obtain a copy of the ICPA and related price lists for invoice verification• When appropriate, execute an addendum of participation with lead contract agency and remove or incorporate necessary local terms and conditions. <p>This ICPA review checklist will be maintained on file.</p>
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Human Resources and Payroll

Finding 2
WCPS did not use available system reports to ensure that all electronic timesheets were validated and approved as required by its policy. Our review identified numerous timesheets that were not validated and/or approved as required.

We recommend that WCPS use available reports from the automated time keeping system to ensure all timesheets are validated and approved, including those noted above.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	WCPS agrees with all of the background items as presented. WCPS agrees with this finding.		
Recommendation 2	Agree	Estimated Completion Date:	7/27/20
Please provide details of corrective action or explain disagreement.	We now have all employees (including hourly employees) recording their time and attendance, and approving their timecard in the electronic time keeping system. We have also given all employees the ability to clock in and review and approve their time via an app on their phone if they choose to do so (for those employees who have limited access to a computer or time clock). We now require all timekeeping editors to review the timesheet approval report at the end of each pay period and contact staff and supervisors that have not approved. Any unapproved timecards after a second failed request by the timekeeping editor will be printed by the timekeeping editor and signed by the employee and supervisor.		

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Information Technology

Finding 3

WCPS did not ensure employee access to its automated financial systems applications was appropriate and adequately controlled resulting in employees with unnecessary or incompatible access.

We recommend that WCPS ensure that adequate controls are in place over its automated financial systems. Specifically, we recommend that WCPS

- a. periodically (such as annually) perform a documented review of system capabilities assigned to employees to ensure critical functions are assigned to employees who need those capabilities to perform their job duties, ensure that critical functions are properly separated, and remove any unnecessary employee access (repeat); and
- b. generate a report to identify any access changes or financial transactions processed by system administrators for independent supervisory review.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	WCPS agrees with all of the background items as presented. WCPS agrees with this finding.		
Recommendation 3a	Agree	Estimated Completion Date:	4/30/21
Please provide details of corrective action or explain disagreement.	WCPS will annually perform a documented review of system capabilities assigned to employees to ensure that critical functions are properly separated and that no employees have unnecessary access.		
Recommendation 3b	Agree	Estimated Completion Date:	9/28/20
Please provide details of corrective action or explain disagreement.	WCPS restricted the access for the 9 employees that had capabilities on the HR and payroll systems that they did not need. WCPS also created a report that lists critical HR, payroll, accounts payable, and purchasing transactions created by system administrators that will be reviewed monthly by the Comptroller. WCPS restricted access for the 3 employees that had purchase order receiving capabilities that they did not need. WCPS created a report of purchase orders created and vendors added or modified by purchasing staff that will be reviewed monthly by the Comptroller.		

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Finding 4

Sensitive personally identifiable information was maintained in a manner that did not provide adequate security safeguards.

We recommend that WCPS implement appropriate information security safeguards for its sensitive PII.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	WCPS agrees with all of the background items as presented. WCPS acknowledges the finding and understands the risk.		
Recommendation 4	Agree	Estimated Completion Date:	1/1/21
Please provide details of corrective action or explain disagreement.	<ul style="list-style-type: none">a. In addition to scheduled reviews by the Technology Department, WCPS is forming a Data Governance cross-functional group, which can have some oversight on PII, including reviews.b. A Data Governance Policy will be drafted by the to-be-formed Data Governance Group. Once ratified, procedures will be developed for each department on the creation/intake of PII, short-term transactional management of the data, and long-term disposition.c. WCPS has reached out to our SIS and ERP vendors requesting more detailed architectural discussions on available protection options. This would include options for segregating PII data. WCPS has concerns that a solution may not be available or will be cost-prohibitive.		

Wicomico County Public Schools

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Finding 5

WCPS' financial and student information system applications lacked security activity monitoring, and password controls for these applications and the internal computer network were not sufficient.

We recommend that WCPS

- a. generate reports of all critical security and audit events for its financial and student information system applications, regularly review these reports, document these reviews, and retain this documentation for future reference; 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* (repeat).

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	WCPS agrees with all of the background items as presented. WCPS acknowledges the finding and understands the risk.		
Recommendation 5a	Agree	Estimated Completion Date:	9/1/20
Please provide details of corrective action or explain disagreement.	<ul style="list-style-type: none">• WCPS will review the logging tool configuration for optimal use.• WCPS will establish a peer or external review of logs at a recommended interval as practice.• WCPS will enable auditing across the entire portfolio of servers and establish one policy to apply to all environments.		
Recommendation 5b	Agree	Estimated Completion Date:	Ongoing
Please provide details of corrective action or explain disagreement.	<ul style="list-style-type: none">• WCPS will implement strong controls over passwords and user accounts for its critical databases, applications and network domain.• WCPS will consider a higher password history count.• WCPS has, or plans to implement 2FA/MFA across critical applications.• Password maximum lifetime restriction has been modified.• Some changes have already been implemented around the network directory model.		

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Finding 6

Twelve publicly accessible servers were improperly located within WCPS' internal network.

We recommend that WCPS relocate all publicly accessible servers to a separate protected network zone to limit security exposures to the internal network segment (repeat).

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	WCPS agrees with all of the background items as presented. WCPS acknowledges the finding and understands the risk.		
Recommendation 6	Agree	Estimated Completion Date:	Ongoing
Please provide details of corrective action or explain disagreement.	The WCPS firewall has port-level services that monitor traffic, block ports that don't need to be opened, and use of intrusion detection services. With our significant migration to Virtual Machine architectures, this will be addressed and mitigate our risk. We will continue to review the identified servers and reposition as appropriate.		

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Transportation Services

Finding 7

WCPS did not fully use its automated bus routing software to identify alternative routes, or route and/or bus stop consolidations that might reduce costs. Our review disclosed more than half of WCPS routes did not meet the minimum bus capacity goals.

We recommend that WCPS use its automated bus routing software to periodically perform a system-wide analysis of bus routes to maximize the ridership on its bus routes (repeat).

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	WCPS agrees with all of the background items as presented. WCPS agrees with this finding.		
Recommendation 7	Agree	Estimated Completion Date:	5/1/21
Please provide details of corrective action or explain disagreement.	WCPS fully recognizes the importance of efficiency in routing practices. We acknowledge this finding as indicated to be “repeat” and provide assurance that we will continue our work to schedule transportation routes in the most effective and efficient manners possible within the variables presented. The audits of our routing plans will include documentation in all cases with specific attention to explanation when routes are identified as under capacity. This audit will be ongoing with a projected timeline to include completion for 50% of our routes during the 2020-2021 school year (dependent upon variable associated with pandemic requirements) and the remaining 50% of our routes during the 2021-2022 school year. Our routing practices will involve our use of the bus-routing program and our analysis of historical data, all of which would be included in documentation as appropriate.		

Wicomico County Public Schools

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Finding 8

Certain elements of the payments to bus contractors could not be supported, and included costs that should not have been reimbursed, resulting in higher payments than necessary for student transportation services.

We recommend that WCPS reevaluate its method of establishing payment amounts to bus contractors in future contracts (repeat). Specifically, we recommend that WCPS

- a. consider using an ROI to calculate the PVA payments to bus contractors that provides a reasonable rate of return consistent with the aforementioned past studies,**
- b. document the basis for maintenance costs paid to the bus contractors,**
- c. discontinue paying for fuel taxes and recover any amounts previously paid, and**
- d. include provisions to audit the bus contractors in future contracts and use the provisions to determine the actual cost of operating contractor buses.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	WCPS agrees with all of the background items as presented. WCPS agrees with this finding.		
	WCPS is committed to providing safe, adequate, efficient and economical transportation services for students to access their instruction. WCPS continually evaluates the school bus contractors' table of rates by comparing its table of rates with that of the other sixteen Maryland Public School systems using contracted school bus services. WCPS transportation staff also monitors the Bureau of Labor Statistics Consumer Price Index for vehicle parts, labor, maintenance and repair to calculate the upcoming school year's reimbursement rate for maintenance. Because this information from the Bureau of Labor Statistics CPI is not available until October, school bus contractors are actually a year behind in their higher reimbursement, if warranted. The impacts of the fluctuating fuel costs and federal emissions requirements on the cost of equipment are also monitored on a regular basis. With specific response to the recommendations accompanying this finding, WCPS responses are detailed here:		
Recommendation 8a	Agree	Estimated Completion Date:	12/31/20

Wicomico County Public Schools

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Please provide details of corrective action or explain disagreement.	a. WCPS will plan to re-evaluate the 9.45% ROI and consider recommended changes to the calculation during the next budget cycle.		
Recommendation 8b	Agree	Estimated Completion Date:	12/31/20
Please provide details of corrective action or explain disagreement.	b. WCPS will plan to collect and analyze documentation associated with maintenance costs incurred by contractors. This analysis may influence the maintenance cost funding in the next budget cycle.		
Recommendation 8c	Agree	Estimated Completion Date:	12/31/20
Please provide details of corrective action or explain disagreement.	c. WCPS will review and consider the payment for fuel taxes in the next budget cycle.		
Recommendation 8d	Agree	Estimated Completion Date:	12/31/20
Please provide details of corrective action or explain disagreement.	<p>d. WCPS will work with legal consultation to review the contractual language for possible inclusion of audit capacity in contracts.</p> <p>WCPS has observed a marked decrease in new interest in community members wanting to be school bus contractors and some of our existing contractors are choosing to get out of the business for various reasons. With these conditions as presented, it is important to WCPS that our school bus contractors, who are small business operators within the community, are profitable business owners. While WCPS will always consider national industry standards when considering the table of rates, some local industry dynamics will have to also be considered.</p>		

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