

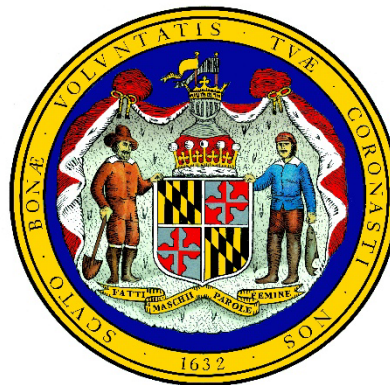
Financial Management Practices Audit Report

Somerset County Public Schools

October 2025

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.



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

Joint Audit and Evaluation Committee

Senator Shelly L. Hettleman (Senate Chair)	Delegate Jared Solomon (House Chair)
Senator Joanne C. Benson	Delegate Steven J. Arentz
Senator Benjamin T. Brooks, Sr.	Delegate Andrea Fletcher Harrison
Senator Paul D. Corderman	Delegate Steven C. Johnson
Senator Katie Fry Hester	Delegate Mary A. Lehman
Senator Cheryl C. Kagan	Delegate David H. Moon
Senator Clarence K. Lam, M.D.	Delegate Julie Palakovich Carr
Senator Cory V. McCray	Delegate Emily K. Shetty
Senator Justin D. Ready	Delegate Stephanie M. Smith
Senator Bryan W. Simonaire	Delegate M. Courtney Watson

To Obtain Further Information

Office of Legislative Audits
The Warehouse at Camden Yards
351 West Camden Street, Suite 400
Baltimore, Maryland 21201
Phone: 410-946-5900
Maryland Relay: 711
TTY: 410-946-5401 · 301-970-5401
E-mail: webmaster@ola.maryland.gov
Website: ola.maryland.gov

To Report Fraud

The Office of Legislative Audits operates a Fraud Hotline to report fraud, waste, or abuse involving State of Maryland government resources. Reports of fraud, waste, or abuse may be communicated anonymously by a toll-free call to 1-877-FRAUD-11, by mail to the Fraud Hotline, c/o Office of Legislative Audits, or through the Office's website.

Nondiscrimination Statement

The Department of Legislative Services does not discriminate on the basis of age, ancestry, color, creed, marital status, national origin, race, religion, gender, gender identity, sexual orientation, or disability in the admission or access to its programs, services, or activities. The Department's Information Officer has been designated to coordinate compliance with the nondiscrimination requirements contained in Section 35.107 of the United States Department of Justice Regulations. Requests for assistance should be directed to the Information Officer at 410-946-5400 or 410-970-5400.



DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

October 1, 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 Somerset County Public Schools (SCPS) 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 SCPS' 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 SCPS' procurement policies were not sufficiently comprehensive. Specifically, the procurement policies did not require Board approval for certain contracts or establish a dollar threshold for Board approval, and did not require formal written contracts. In addition, the policies did not incorporate certain requirements of State law and recognized best practices for participating in intergovernmental cooperative purchasing agreements. Furthermore, SCPS did not always publish contract solicitations or awards on *eMaryland Marketplace Advantage* as required by State law and did not always prepare written justification for sole source procurements, certain of which did not appear justified. Similar concerns with the procurement policies and procedures have been included but not corrected from one or more prior reports dating back to March 2010.

Our review also disclosed that SCPS awarded a sole source contract for a school bus safety camera system instead of conducting a competitive procurement. We also noted that certain components of the payments to bus contractors could not be supported, a condition identified in our prior audit but not corrected. Additionally, SCPS did not audit or adequately monitor the performance of its third-party administrator that provides health care claims processing services, a condition identified in our two prior audits but not corrected.

Furthermore, 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.

SCPS’ response to this audit is included as an appendix to this report. Consistent with State law, we have redacted the elements of SCPS’ 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 issues.

We wish to acknowledge the cooperation extended to us during the course of this audit by SCPS.

Respectfully submitted,

Brian S. Tanen

Brian S. Tanen, CPA, CFE
Legislative Auditor

Table of Contents

Background Information	5
Statistical Overview	5
Oversight	9
External Audits	10
Cybersecurity Incident	11
Status of Findings From Preceding Audit Report	11
Findings and Recommendations	13
Revenue and Billing Cycle	13
Federal Funds	14
Procurement and Disbursement Cycle	
* Finding 1 – Somerset County Public Schools (SCPS)’ <i>Bidding and Purchasing Policy</i> was not comprehensive.	16
Finding 2 – Certain requirements of State law and recognized best practices were not incorporated into SCPS’ <i>Bidding and Purchasing Policy</i> and were not consistently used when participating in an intergovernmental cooperative purchasing agreements.	17
Finding 3 – SCPS did not execute formal written contracts for certain special education services.	19
* Finding 4 – SCPS did not always publish contract solicitations or awards on <i>eMaryland Marketplace Advantage</i> and did not always prepare written justifications for sole source procurements, certain of which did not appear justified.	19
Human Resources and Payroll	21
Equipment Control and Accountability	21
* Denotes item repeated in full or part from preceding audit report	

Information Technology	
Finding 5 – Redacted cybersecurity-related finding.	22
Finding 6 – Redacted cybersecurity-related finding.	22
Finding 7 – Redacted cybersecurity-related finding.	22
Facilities Construction, Renovation, and Maintenance	22
Transportation Services	
* Finding 8 – SCPS could not support the maintenance costs paid to the bus contractors, improperly paid for excise and fuel tax, and did not have provisions to audit the contractors to verify key contract terms.	24
Finding 9 – SCPS awarded a sole source contract for a school bus safety camera system instead of conducting a competitive procurement.	25
Finding 10 – Redacted cybersecurity-related finding.	26
Food Services	26
School Board Oversight	27
Management of Other Risks	
* Finding 11 – SCPS did not obtain and review claims data or verify the eligibility of enrolled dependents and did not adequately monitor the performance of its third-party administrator.	28
Audit Scope, Objectives, and Methodology	30
Agency Response	Appendix

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

Background Information

Statistical Overview

Enrollment

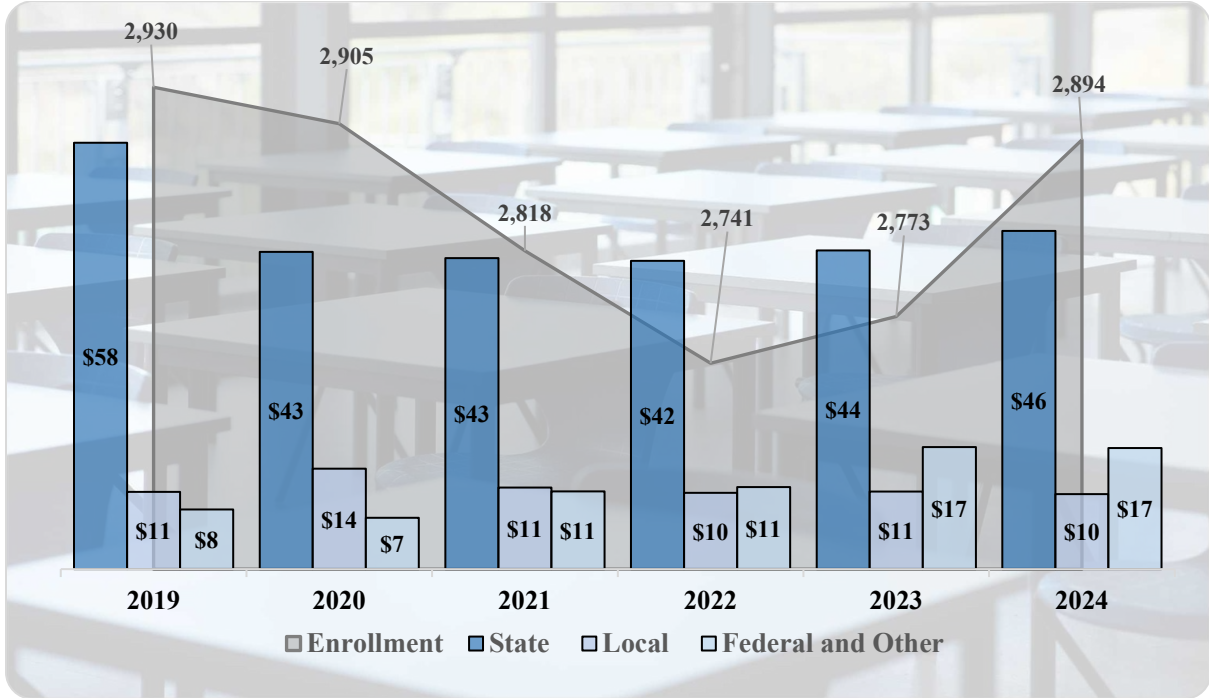
According to student enrollment records compiled by the Maryland State Department of Education (MSDE), Somerset County Public Schools (SCPS) ranks 23rd in student enrollment among the 24 public school systems in Maryland. Fiscal year 2024 full-time student enrollment was 2,894 students. SCPS had 9 schools, consisting of 4 elementary, 1 middle school, 2 high schools, 1 technology and career center, and 1 alternative learning school.¹

Funding

SCPS revenues consist primarily of funds received from the State, Somerset County, and federal government. According to the SCPS' audited financial statements, revenues from all sources totaled approximately \$73.2 million in fiscal year 2024, including \$46.2 million from the State. See Figure 1 for SCPS' enrollment and funding by source for the six-year period from fiscal year 2019 through fiscal year 2024. See Figure 2 for revenue sources per enrolled student in fiscal year 2024 according to its audited financial statements.

¹ SCPS had 10 schools prior to July 2023. The Board approved the closure of Ewell Elementary School, located on Smith Island, for the 2023 – 2024 school year and the reopening of the school if the student population increases. We were advised by SCPS personnel that the school remained closed for the 2024 – 2025 school year.

Figure 1
SCPS Enrollment and Funding by Source
Fiscal Years 2019 through 2024
(dollar amounts in millions)

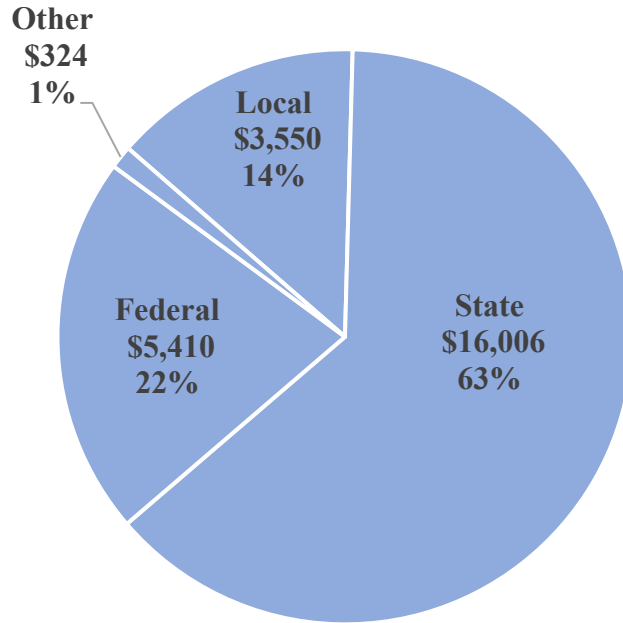


State funding for fiscal year 2024 included:

- \$41.3 million for Foundation Formula Grants
- \$2.7 million for the State-share of employee pension costs
- \$2.2 million for Other State funding

Source: SCPS' Fiscal Year 2024 Audited Financial Statements and MSDE Data

Figure 2
SCPS' Revenue Sources Per Enrolled Student
Fiscal Year 2024



Source: SCPS' Fiscal Year 2024 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.² 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 Poverty Aid, and Compensatory Education Aid). Blueprint also provides

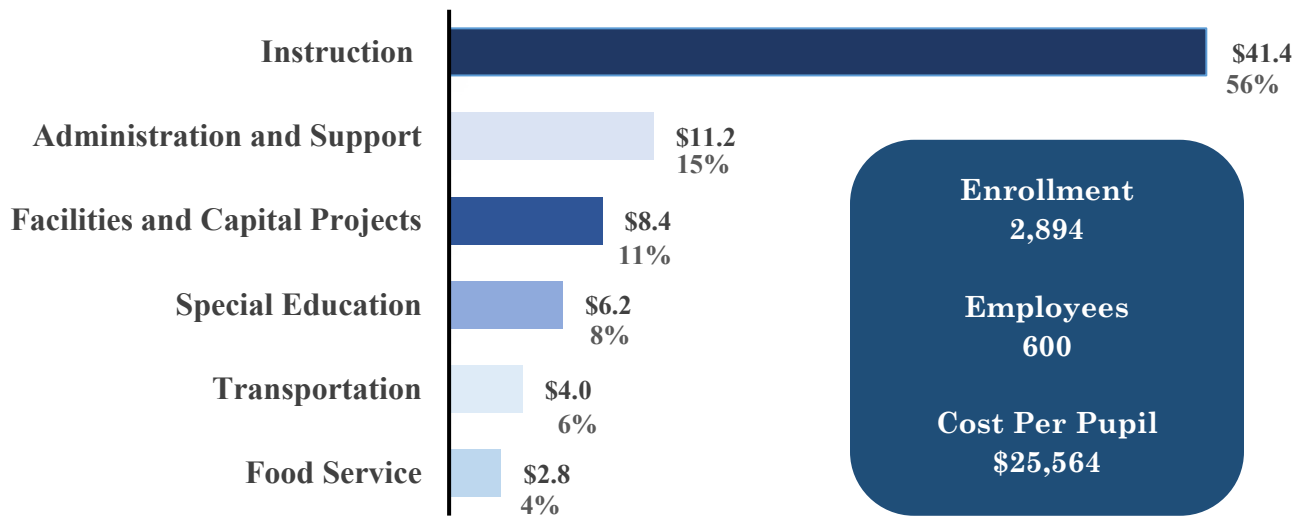
² The Maryland Commission on Innovation and Excellence in Education was established by Chapters 701 and 702, Laws of Maryland 2016, effective June 1, 2016 to review the adequacy of funding for education.

additional funding for specific programs that schools offer (such as Prekindergarten Aid).

Expenditures

According to SCPS’ audited financial statements, fiscal year 2024 expenditures were approximately \$74 million. The largest expenditure category was salaries and wages, including benefits, which accounted for approximately 73 percent of total expenditures during fiscal year 2024. According to MSDE records, during the 2023-2024 school year, SCPS had 600 full-time equivalent positions, which consisted of 403 instructional and 197 non-instructional positions. Instruction accounted for 56 percent of SCPS’ expenditures on a categorical basis (see Figure 3).

Figure 3
SCPS Expenditures by Category and Selected Statistical Data
Fiscal Year 2024
 (dollar amounts in millions)



Source: SCPS' Fiscal Year 2024 Audited Financial Statements and MSDE Data

Oversight

SCPS is governed by a local school board, consisting of five elected voting members and two non-voting student members. MSDE exercises considerable oversight of SCPS 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 SCPS to comply with the requirements and mandates of federal law. The Somerset County government also exercises authority over SCPS primarily through the review and approval of SCPS' 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 the 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, MSDE, 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 issued one public report related to SCPS reviews and investigations. We considered the report during our current audit.

External Audits

As required by State law, SCPS 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 SCPS as of June 30, 2019, 2020, 2021, 2022, 2023 and 2024, 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 SCPS' control over financial reporting and its tests of SCPS' compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. These reports are an integral part of the annual independent audited financial statements. The accounting firm also conducts the Single Audit of SCPS' 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 2019 through 2024 and examined the related work papers for the fiscal year 2024 audits, 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 fund transfer
- Accounts receivable
- Federal grant activity

Cybersecurity Incident

On December 28, 2024, an SCPS vendor became aware of a cybersecurity incident involving the unauthorized transfers of current and former student and educator personal information. The breach effected numerous vendor customers including other Maryland school districts. Compromised information included names, contact information, birthdates, medical information, and social security numbers. The vendor had obtained an independent review over its controls in 2024 and its related System and Organization Controls report did not identify any significant operational or security-related concerns.

SCPS learned their information was involved in the breach on January 7, 2025 and alerted the students and educators about the security breach on January 10, 2025. The vendor also reached out directly to individuals affected by the breach and is offering credit monitoring services to those impacted.

On March 7, 2025 the vendor released an investigation report sharing attack details but did not include the number of records or how many customers were affected. As of July 2025 the vendor's incident investigation was still ongoing and SCPS has received no further details about its affected data.

Status of Findings From Preceding Audit Report

In accordance with Chapter 261, 2016 Laws of Maryland, SCPS obtained an exemption on December 6, 2016 from the 6-year audit cycle covering fiscal years 2017 to 2022. Therefore, our most recent audit report was dated September 15, 2014. Based on our current assessment of significance and risk relative to our audit objectives, our audit included a review to determine the status of 14 of the 16 findings contained in the September 15, 2014 report. See Figure 4 on the following page for the results of our review.

**Figure 4
Status of Preceding Findings**

Preceding Finding	Finding Description	Implementation Status
Finding 1	Collections were not always deposited timely nor adequately secured prior to deposit.	Not repeated (Not followed up on)
Finding 2	SCPS lacked written policies and procedures for controlling student activity funds.	Not repeated (Not followed up on)
Finding 3	Redacted cybersecurity-related finding. ³	Status Redacted ³
Finding 4	SCPS' procurement policies generally did not require Board approval for certain purchases and did not address contractual services.	Repeated (Current Finding 1)
Finding 5	Contracts were frequently not awarded through competitive procurements and payment processing was not always adequate.	Repeated (Current Finding 4)
Finding 6	Redacted cybersecurity-related finding. ³	Status Redacted ³
Finding 7	Documentation was lacking that the Board possessed all pertinent information prior to approving an employee termination settlement agreement.	Not repeated
Finding 8	Equipment policies were not comprehensive and disposals were not approved.	Not repeated
Finding 9	Redacted cybersecurity-related finding. ³	Status Redacted ³
Finding 10	Redacted cybersecurity-related finding. ³	Status Redacted ³
Finding 11	Certain construction related goods and services were procured without obtaining competitive bids.	Repeated (Current Finding 4)
Finding 12	Certain payments to transportation contractors were not based on market conditions or actual costs.	Repeated (Current Finding 8)
Finding 13	SCPS did not ensure the accuracy of data used to compute certain payments to bus contractors.	Not repeated
Finding 14	Invoices were not adequately verified prior to payment.	Not repeated
Finding 15	Financial disclosure statements were not always filed as required.	Not repeated
Finding 16	SCPS did not ensure the propriety of payments for certain employee and retiree health care costs.	Repeated (Current Finding 11)

³ The finding description as well as the implementation status of this cybersecurity-related finding have been redacted for 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

Somerset County Public Schools (SCPS) revenues consist primarily of funds received from the State, Somerset County, and the federal government. According to SCPS' audited financial statements, revenues from all sources totaled approximately \$73.2 million in fiscal year 2024, including approximately \$46.2 million from the State.

External Audits

There were similarities between the work of the independent certified public accounting firm (CPA) that audited SCPS' financial statements and the objectives of 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 review (related to the fiscal year 2024 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 2024, school activity collections totaled \$688,000 and the June 30, 2024 fund balance was \$328,000. 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 cash receipts with respect to revenue and billing.

Federal Funds

Background

SCPS 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 SCPS' Single Audit, fiscal year 2024 (latest available at the time of our audit) federal expenditures totaled \$15.2 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 \$6.3 million in fiscal year 2020 to \$15.2 million in fiscal year 2024 (141 percent), due to COVID-19 pandemic grant funding. Specifically, according to SCPS' records, as of September 30, 2024 SCPS was awarded federal COVID-19 pandemic grant funds totaling \$24.3 million to be distributed over federal fiscal years 2021 to 2024 under Coronavirus Aid, Relief, and Economic Security Act, the Coronavirus Response and Relief Supplemental Appropriations Act, and the American Recovery Plan.

As of September 30, 2024, according to SCPS records expenditures related to these COVID-19 grants totaled \$22.1 million from July 2020 through August 2024 and were primarily comprised of staffing, laptops, instructional software and materials, technology and infrastructure upgrades. On March 28, 2025, the United States Department of Education (DOE) notified every State that it was ending the liquidation period for COVID-19 grants effective immediately. The DOE notification indicated that it would consider an extension to the liquidation period on an individual project specific basis. SCPS advised us that it had approximately \$177,000 in COVID-19 grants that had not been liquidated as of June 24, 2025. The Maryland State Department of Education (MSDE) indicated that it was working with the Office of the Attorney General regarding appropriate legal action as of May 13, 2025.

Single Audit Reports

There were similarities in the work performed by the independent CPA that conducted the Single Audit of SCPS' federal grants and the objectives of our audit in this area. In addition to expressing an opinion on SCPS 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 2019 through 2024. Our review of the Single Audits did not identify any issues that warranted inclusion in this report.

Medicaid Funds for Eligible Services

SCPS 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 SCPS. Medicaid activity is not covered by the Single Audit of federal grants.

MSDE's Interagency Medicaid Monitoring Team issued a report in April 2024 of the results of its review of 40 student case files for 87 criteria. The report did not specifically address the propriety of Medicaid billing but overall concluded that SCPS was generally compliant with most criteria. For example, SCPS was 100 percent compliant with 70 criteria and from 90 to 99 percent compliant with 7 criteria.

According to SCPS records, fiscal year 2024 state and federal reimbursements for Medicaid-subsidized services totaled approximately \$493,000, which was an increase of \$66,000 from 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 the federal fund 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 SCPS' records, disbursements (excluding payroll) totaled \$20.1 million during fiscal year 2024. SCPS uses a financial management system for purchases and disbursements. Requisitions are created in the system by departments and are subject to on-line departmental approvals. Purchase orders are prepared in the system by the finance department based on approved requisitions. The finance, transportation and facilities departments handle the solicitation, bid evaluation, and establishment of contracts.

Invoices are submitted by vendors directly to the accounts payable department before being forwarded to the requesting school or department for approval as necessary. Once approved, the accounts payable department enters the invoice into the financial management system. The system matches the invoice to the related purchase order then prints the vendor checks, which are manually matched

to appropriate purchasing and receiving documents before mailing and then posts the payment to the financial records.

Section 5-112 of the Education Article of the Annotated Code of Maryland requires that procurements equal to or exceeding \$100,000 (prior to October 1, 2023, the amount was \$50,000) be competitively bid. As noted in Finding 1, SCPS' procurement policy did not require all procurements of contracts and agreements be approved by the Somerset County Board of Education (Board). Rather, only procurements of contracts and agreements for facility improvements and equipment required Board approval.

Finding 1
SCPS' *Bidding and Purchasing Policy* was not comprehensive.

Analysis

SCPS' *Bidding and Purchasing Policy* was not comprehensive. For example, the *Policy* did not require Board approval for contractual services, special education services, or intergovernmental cooperative purchasing agreements, and did not establish dollar thresholds for Board approval. Additionally, the *Policy* did not require written contracts. Written contracts set forth all financial terms and conditions, define the duties and responsibilities of the parties, protect each party in the event of default, and provide other critical terms for items such as resolution of disputes, termination for convenience, and retention of records. Findings 2 through 4 highlight additional conditions that were caused in part due to SCPS' lack of a comprehensive *Bidding and Purchasing Policy*. According to SCPS' records, during fiscal year 2024 it paid 53 vendors individually more than \$50,000, totaling approximately \$17.6 million.

Similar conditions regarding SCPS procurement policies not having a dollar threshold requiring Board approval and addressing the various types of procurements were commented upon in our two preceding audit reports dating back to March 2010. A similar condition regarding SCPS procurement policies not requiring written contracts was commented upon in our preceding audit report dated September 2014. In response to our preceding report, SCPS stated it would establish formal dollar thresholds requiring Board approval and agreed that written contracts should be acquired to document the agreed upon terms but disagreed that the *Policy* should be updated to address contractual services. As noted above, SCPS did not implement the related recommendations, and we continue to believe that the *Policy* should address contractual services.

Recommendation 1

We recommend that SCPS revise its *Bidding and Purchasing Policy* to

- a. address all categories of purchases and establish formal dollar thresholds requiring Board approval for all purchases, such as contracts exceeding \$100,000 (repeat); and**
- b. require written contracts to document agreed upon terms (repeat).**

Finding 2

Certain requirements of State law and recognized best practices were not incorporated into SCPS' *Bidding and Purchasing Policy* 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 SCPS' *Bidding and Purchasing Policy* and were not consistently used by SCPS when participating in an ICPA.⁴ State law, which legal counsel to the Maryland General Assembly advised us is applicable to local education agencies, provides for the participation in an existing State or local contract, if the governing body of the entity determines that (a) participation would provide a cost savings in purchase price or administrative burden; or (b) further other policy goals including operational and energy–efficiency goals related to the purchase, operation, or maintenance of the supply or service.

Our review of the SCPS' *Bidding and Purchasing Policy* disclosed that the above statutory requirements, 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;

⁴ 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 the ICPA solicitation was competitively bid and publicly advertised; and obtaining originating agency's competitive procurement documentation (including public advertisements and proposal evaluations);
- 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.

We could not obtain the total number or value of contracts awarded via ICPAs, since SCPS did not capture this information. Based on our review of material payments to vendors, we tested SCPS' participation in 12 ICPAs during fiscal years 2019 through 2025. Nine of these ICPAs had contract award amounts totaling \$3.3 million and three did not have a contract award amount, since they were contracts to purchase equipment or supplies at discounted prices with indefinite quantities. According to SCPS records, payments on these 12 contracts totaled approximately \$4.3 million during fiscal year 2024. Our test disclosed that SCPS could not document that it adhered to the statutory requirements and did not adhere to some of the aforementioned best practices in the ICPAs tested. For example, SCPS did not analyze the costs of conducting competitive solicitations or research, compare, and evaluate available ICPAs for any of the ICPAs tested. Incorporating ICPA best practices into SCPS procurement policies could help ensure they are consistently used.

Furthermore, for 8 of the 12 ICPAs tested with payments totaling \$2.4 million during fiscal years 2023 and 2024, SCPS had not obtained a copy of the contract pricing for invoice verification. We were able to verify the pricing for 6 of 8 ICPAs tested with payments totaling approximately \$1.1 million. We were unable to verify the pricing for the remaining 2 ICPAs tested with payments totaling approximately \$1.3 million.

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 actions included in the aforementioned list.

Recommendation 2

We recommend that SCPS

- incorporate the aforementioned statutory requirements and other identified and acknowledged best practices into its *Bidding and Purchasing Policy*,**

- b. ensure that the performance of the requirements and best practices are documented when evaluating and participating in ICPAs, and
- c. maintain a comprehensive list of all contracts awarded under an ICPA.

Finding 3

SCPS did not execute formal written contracts for certain special education services.

Analysis

SCPS did not execute formal written contracts for certain special education services. SCPS provides special education services in accordance with the individualized education program developed for each student. According to SCPS' records, it paid four MSDE certified non-public schools approximately \$514,000 for special education services between July 1, 2018 and December 31, 2024.

Our review disclosed that SCPS did not have a contract with these four non-public schools. Although not specifically required by its *Bidding and Purchasing Policy* as previously noted in Finding 1, written contracts set forth all financial terms and conditions, define the duties and responsibilities of the parties, protect each party in the event of default, and provide other critical terms for items such as resolution of disputes, termination for convenience, and retention of records.

Recommendation 3

We recommend that SCPS require formal written contracts for special education services.

Finding 4

SCPS did not always publish contract solicitations or awards on *eMaryland Marketplace Advantage (eMMA)* and did not always prepare written justifications for sole source procurements, certain of which did not appear justified.

Analysis

SCPS did not always publish contract solicitations or awards on *eMMA* and did not always prepare written justification for sole source procurements, certain of which did not appear justified. Furthermore, SCPS' *Bidding and Purchasing Policy* did not require publication of contract solicitations and awards on *eMMA*, as required by State law. Rather, the *Policy* only required solicitations and to be posted in local newspapers. State law requires the solicitation and award of

contracts of \$100,000 or more (prior to October 1, 2023 the amount was \$50,000) procured by public schools after July 1, 2022 to be published on *eMMA*.⁵

Based on our review of material vendor payments, we tested five sole source procurements and one competitive procurement totaling \$1.2 million which disclosed that SCPS did not publish all six awards or the solicitation of the one competitive procurement on *eMMA* as required by State law. Publishing solicitations and awards on *eMMA* provides transparency over State procurements, including information about winning bidders and the amount of the related awards.

Additionally, SCPS did not prepare written justifications for the sole source procurements to support its determination that the awarded price was fair and reasonable. Our review disclosed that other vendors were available that provided similar services or goods for three of the five procurements (custodial supplies for \$194,000, a roof repair and replacement for \$204,000, and the installation of new doors for \$98,000) and therefore should have been competitively bid.⁶ SCPS' *Bidding and Purchasing Policy* requires documentation be submitted to the Superintendent on an approval form to justify the rationale used in determining the vendor was the sole source, as well as the determination that the awarded price is fair and reasonable.

A similar condition regarding not publishing contract solicitations and awards on *eMMA*, as well as a lack of competitive bidding, was commented upon in our preceding audit report. In response to that report, SCPS stated it would develop a procedure to ensure *eMMA* was used and that procurements would be competitively bid when applicable. However, as noted above, SCPS did not implement the corrective actions.

Recommendation 4

We recommend that SCPS

- a. revise and implement its *Bidding and Purchasing Policy* to require the publication of contract solicitations and awards on *eMMA* as required, including posting the contracts noted above (repeat);**
- b. ensure that sole source contract justifications are prepared as required; and**
- c. obtain goods and services through a documented competitive procurement process when applicable (such as, when other vendors can**

⁵ *eMMA* is an internet-based, interactive procurement system managed by the State of Maryland's Department of General Services.

⁶ In addition to the five sole source procurements we tested, as noted in Finding 9, SCPS also did not use a competitive procurement process to obtain a school bus camera safety program and did not prepare a written sole source justification.

provide the goods and services) to ensure the awarded price is fair and reasonable (repeat).

Human Resources and Payroll

Background

Payroll expense represents the largest single cost component in the SCPS budget. According to SCPS' records, fiscal year 2024 salary, wage, and benefit costs totaled approximately \$53.9 million, representing 73 percent of total expenditures. According to MSDE reports, during the 2023-2024 school year, SCPS had 600 full-time equivalent positions, which consisted of 403 instructional and 197 non-instructional positions.

SCPS uses automated systems 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).

Conclusion

Our audit did not disclose any significant deficiencies in the design or operation of SCPS' internal control over the human resources and payroll areas of operations reviewed. Our audit also did not disclose any significant instances of noncompliance with applicable laws, rules, or regulations.

Equipment Control and Accountability

Background

According to SCPS' audited financial statements, the undepreciated value of its capital equipment inventory (furniture, fixtures, and equipment) totaled \$4.1 million as of June 30, 2024. SCPS maintains centralized automated records for all equipment including assets with a cost of \$5,000 or more that are capitalized for financial statement purposes. Control and recordkeeping of laptop computers assigned to schools, students, and employees was maintained in a database by the Department of Information Technology regardless of cost. SCPS has established written equipment policies.

Conclusion

Our audit did not disclose any significant deficiencies in the design or operation of SCPS' internal control over financial-related areas of operations for equipment. Our audit also did not disclose any significant instances of noncompliance with applicable laws, rules, or regulations.

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 SCPS' 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

SCPS employs a staff of 46 employees to maintain its 9 schools and an administrative and support office. According to SCPS' fiscal year 2026 Capital Improvement Plan, necessary construction, major renovations, and systemic improvements to SCPS' facilities over the next six years are estimated to cost \$177.3 million.

Our review of nine construction-related procurements awarded during fiscal years 2022 through 2024 totaling \$2.4 million,⁷ disclosed various issues with SCPS purchasing policy and procedures and certain of these procurements that were addressed in other findings in this report. Our test of 16 invoices totaling \$1.7 million for these contracts disclosed that the invoices were generally properly supported, reviewed and approved, and the amounts invoiced were in accordance with contract terms.

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

SCPS has processes in place to promote ongoing facility maintenance and to minimize energy costs. For example, SCPS provides scheduled maintenance of its buildings and equipment with the goal of preventing emergency repairs. In addition, SCPS participates in a consortium with other Eastern Shore area entities to purchase energy at the best possible terms. SCPS also utilizes a vendor energy management program to monitor and control heating and air conditioning usage and a utility billing management system to monitor related costs.

SCPS also has written policies that include best practices that encourage both students and employees to be aware of and limit their energy use, and monitors building energy on a centralized basis. According to consortium records (which we did not audit), SCPS saved approximately \$1 million through energy cost avoidance from fiscal years 2015 to 2024.

Conclusion

Our audit did not disclose any significant deficiencies in the design or operation of SCPS' internal control over financial-related areas of operations for facilities construction, renovations, and maintenance. 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 MSDE, SCPS had approximately 2,800 students eligible to receive student transportation services during fiscal year 2024. These students were transported using 31 contractor-owned buses and 1 contractor owned boat (for transporting students residing on an island). SCPS reported that 787,000 route miles were traveled to transport students for the 2023-2024 school year. According to SCPS' records, fiscal year 2024 transportation

⁷ Two procurements did not have an award amount since they were purchases of services at discounted prices with indefinite quantities.

costs totaled \$4 million, of which \$3 million (approximately 75 percent) were payments for contracted bus services for various costs and \$125,000 for boat services.

School Bus Safety Camera Program

As allowed by State and County law, SCPS contracted for the use of school bus safety cameras to monitor drivers who illegally pass a stopped school bus and entered into a memorandum of understanding with the Somerset County Sheriff's Office to process citations and receive SCPS' share of the program revenue. In February 2022, SCPS executed a five-year sole-source contract (with a five-year renewal option) to a vendor to install and operate bus safety cameras that would be owned and maintained by the vendor on SCPS' contracted school buses. The contract also provided for internal cameras to monitor the conduct of drivers and students inside the bus.

Finding 8

SCPS could not support the maintenance costs paid to the bus contractors, improperly paid for excise and fuel tax, and did not have provisions to audit the contractors to verify key contract terms.

Analysis

SCPS could not support the maintenance costs paid to the bus contractors, improperly paid for excise and fuel tax, and did not have provisions to audit the contractors to verify key contract terms.

- SCPS could not support the propriety of the bus contractors per-mile bus maintenance costs (\$0.85 per mile), totaling approximately \$669,000 during fiscal year 2024. This rate is intended to fund the expenses incurred by the bus contractors for maintaining the bus, but no cost data was compiled and analyzed to determine what should be reimbursed.
- SCPS did not exclude federal excise and State fuel taxes from payments to bus contractors. SCPS pays contractors for fuel usage using a monthly average of diesel fuel prices, including taxes, and dividing by a miles per gallon rate by SCPS. However, according to federal and State law, SCPS contractors are exempt from the federal excise tax and State fuel tax and are able to receive a credit for fuel taxes paid when they file their income tax returns. If SCPS had considered the exemption amount in its calculation, payments to the contractors would have been approximately \$409,000 lower for fiscal years 2019 through 2024.

- The standard contract language used by SCPS for its bus contracts did not include a right to audit provision. Such a provision would allow SCPS to verify the contractors' actual costs. 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. Further, the use of audited cost data in negotiations is a best practice for federal contracts and is recommended by certain consulting firms.

Similar conditions regarding maintenance cost components and fuel excise taxes were commented upon in our preceding audit report dated September 2014. SCPS' response to our preceding report indicated that corrective actions would be implemented to address our recommendations; however, SCPS did not take the corrective actions as indicated.

Recommendation 8

We recommend that SCPS

- a. use actual bus operating costs as a basis for establishing contractor rates for per mile maintenance costs or otherwise develop supportable cost estimates as the basis for per mile maintenance costs (repeat),**
- b. exclude fuel excise taxes from contractor payments (repeat), and**
- c. include a provision to audit the bus contractors in future contracts.**

Finding 9

SCPS awarded a sole source contract for a school bus safety camera system instead of conducting a competitive procurement.

Analysis

SCPS awarded a school bus safety camera contract without soliciting bids for the contract or considering similar contracts competitively procured by other school systems. Our audits of other Maryland local education agencies (LEAs) noted other vendors that provide bus safety cameras and at least one LEA has awarded a similar contract using a competitive bidding process. SCPS management advised us that it believed the vendor was the only one offering the technology at no cost to SCPS. However, SCPS did not prepare a justification or have any other documentation to support this assertion as required by its *Bidding and Purchasing Policy*.

The contract provided the monthly citation revenue would be disbursed 60 percent to the vendor and 40 percent to the County after deduction of the monthly technology fees of \$175 per bus from gross citation revenue. SCPS has not received any of the \$155,280 in collected revenues for the first 32 months of the

program’s operation (from May 1, 2022 through December 31, 2024). The citation revenue during this period was not sufficient to cover \$172,117 of the technology fees as of December 31, 2024. The difference in these amounts will be offset against future citation revenue.

Recommendation 9

We recommend that SCPS adhere to statutory requirements for competitive bidding for future bus safety camera contract procurements.

We determined that Finding 10 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 is 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 finding, including the analysis, related recommendation(s), along with SCPS’ responses, have been redacted from this report copy.

Finding 10
Redacted cybersecurity-related finding.

Food Services

Background

According to SCPS' audited financial statements, food services operating expenditures totaled approximately \$2.8 million in fiscal year 2024, and were primarily funded with federal and State funds totaling \$2.5 million. The federal funds are received from the United States Department of Agriculture based on an established rate per meals served. SCPS 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 SCPS' audited financial statements, the balance in SCPS' Food Services Fund totaled approximately \$744,000 as of June 30, 2024.

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 Food Services financial area of operations.

School Board Oversight

Background

The Somerset County Board of Education (the Board) is composed of five elected members and two non-voting student representatives. The Board contracted with a certified public accounting firm to conduct independent audits of the SCPS financial statements and federal programs. The Board has not established any committees, including a Citizens Advisory Council, to assist in its oversight of various areas of SCPS operation and governance. A Citizens Advisory Council is a structured group that provides advice to the Board on certain issues and is required by State law.

SCPS Adopted an Ethics Policy

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 SCPS 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 other administrators (such as supervisors, school principals, and agency buyers) by April 30th of each year.

In accordance with the policy, SCPS established an Ethics Panel consisting of three members appointed by the Board to interpret ethics policies and provide advice on policy implementation. The Panel also reviews and rules on any reported complaints of ethics violations. Our review of the records for Board members and SCPS employees required to submit financial disclosure forms for calendar years 2022 and 2023, disclosed that all forms were generally submitted as required.

Conclusion

Our audit did not disclose any reportable conditions in the school board oversight area.

Management of Other Risks

Healthcare Background

SCPS is a member of the Eastern Shore of Maryland Consortium for employee and retiree health care. The Consortium members are self-insured for healthcare costs up to a designated stop-loss amount of \$250,000 per participant per plan year. The Consortium contracts with a third-party administrator (TPA) for health

care claims processing services for employee medical (including prescription costs), dental and vision, and for stop-loss insurance coverage. The TPA bills SCPS monthly subscription charges based on the number of participants and their medical coverage. Medical providers submit claims to the TPA who pays them on behalf of SCPS. SCPS pays its TPA an administrative fee for these services.

As of June 18, 2025, SCPS provided health insurance benefits to 1,395 enrolled employees, dependents, and retirees. According to the TPA's records for the plan year ended August 31, 2024, SCPS healthcare expenditures totaled approximately \$6 million, administrative fees totaled \$232,000, and stop-loss insurance coverage totaled \$604,000.

Finding 11

SCPS did not obtain and review claims data or verify the eligibility of enrolled dependents and did not adequately monitor the performance of its TPA.

Analysis

SCPS did not obtain and review claims data or verify the eligibility of enrolled dependents and did not adequately monitor the performance of its TPA.

- SCPS did not obtain support for the 2023 and 2024 annual medical claim settlements to the TPA which totaled \$227,068 and \$292,884, respectively. In a year-end settlement process, the TPA compares the medical claims it paid against the monthly subscription charges paid by SCPS to determine any excess amount due from or to be reimbursed. Our review disclosed that SCPS did not receive detailed claims data from the TPA to verify the propriety of the settlement amount.
- SCPS did not obtain documentation to ensure all enrolled dependents were eligible to participate in the SCPS health plan or perform periodic audits to ensure enrolled dependents were still eligible. SCPS employees must submit documentation (such as birth certificates) for dependents they want added to their health plan. Our test of 15 arbitrarily selected employees⁸ with dependent insurance coverage, disclosed that 3 employees had not provided the required documentation to support the eligibility of 4 of their dependents. For example, three employees each did not provide supporting documentation (such as marriage certificates) for their spouses who were dependents on their plan.

⁸ Test selection was made from a report of all employees as of December 2024 and we selected employees hired between November 2022 and October 2024.

- SCPS did not audit, or otherwise verify, the accuracy of TPA self-reported compliance with performance measures. The TPA health care contract included 18 performance measures relating to implementation, network maintenance, customer service, and claims processing. Additionally, the contract allowed for the assessment of penalties up to \$291,000 annually, if the TPA did not meet the performance measures. The medical TPA reported self-assessed penalties of \$8,432 in plan year 2022 - 2023 based on its reported compliance, but SCPS did not have a process to verify the TPA's reported compliance.

A similar condition regarding verifying the eligibility of dependents was commented upon in our two preceding audit reports dating back to March 2010 and the lack of detailed claims data was noted in our preceding audit report. In response to our prior report, SCPS agreed to implement additional controls to verify amounts paid for health insurance. However, as stated above the controls were not implemented.

Recommendation 11

We recommend that SCPS

- a. obtain documentation to support actual claim payments and any additional information on the year-end settlement (repeat);**
- b. obtain documentation to verify the eligibility of dependents claimed by enrolled health care program participants (repeat); and**
- c. establish a process to independently verify, on an annual basis, the TPA's compliance with required performance measures and assess penalties when performance goals are not met.**

Audit Scope, Objectives, and Methodology

We have conducted a performance audit of the Somerset County Public Schools (SCPS). 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. In accordance with Chapter 261, 2016 Laws of Maryland, SCPS obtained an exemption from the 6-year audit cycle covering fiscal years 2017 to 2022. 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 SCPS procedures and controls were effective in accounting for and safeguarding its assets.
2. Evaluate whether the SCPS policies provided for the efficient use of financial resources.

In planning and conducting our audit of SCPS, 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 services; 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 SCPS dated September 15, 2014, 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 SCPS 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 SCPS. We also interviewed personnel at SCPS 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 SCPS 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, 2022 to December 31, 2024.

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 SCPS' 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 SCPS 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.

SCPS' 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 SCPS, 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 SCPS 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 SCPS and those parties responsible for acting on our recommendations in an unredacted audit report.

We conducted our fieldwork from January 2025 to June 2025. SCPS’ 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 SCPS regarding the results of our review of its response.

APPENDIX

Somerset County Public Schools

Dr. Ava Tasker-Mitchell
Superintendent of Schools

Tracie Bartemy
Director of Schools



Board Members
Matthew Lankford, Chairman
Andrew Gleason, Vice Chairman
Mary Beth Bozman
William McInturff
John Robertson

September 30, 2025

Mr. Brian S. Tanen, CPA, CFE
Legislative Auditor
Office of Legislative Audits
The Warehouse at Camden Yards
351 West Camden Street, Suite 400
Baltimore, MD 21201

Dear Mr. Tanen:

Enclosed are the agency responses to the draft legislative audit as it relates to the Financial Management Practices of Somerset County Public Schools (SCPS). As directed, agency responses have been populated in the Agency Response Form provided by the Office of Legislative Audits. Submission was/is due to your office by September 29, 2025.

Please feel free to reach out should you have questions regarding the agency responses provided.

On behalf of SCPS, we appreciate the engagement, collaboration, and thoroughness of the Office of Legislative team.

10/1/25

Agency Head/Superintendent

Date

Somerset County Public Schools

Agency Response Form

Procurement and Disbursement Cycle

Finding 1
SCPS' *Bidding and Purchasing Policy* was not comprehensive.

We recommend that SCPS revise its *Bidding and Purchasing Policy* to

- a. address all categories of purchases and establish formal dollar thresholds requiring Board approval for all purchases, such as contracts exceeding \$100,000 (repeat); and
- b. require written contracts to document agreed upon terms (repeat).

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 1a	Agree	Estimated Completion Date:	12/1/2025
Please provide details of corrective action or explain disagreement.	SCPS will revise its <i>Bidding and Purchasing Policy</i> to address all categories of purchases and establish formal dollar thresholds requiring Board approval for all purchases, such as contracts exceeding \$100,000.		
Recommendation 1b	Agree	Estimated Completion Date:	12/1/2025
Please provide details of corrective action or explain disagreement.	SCPS revise its <i>Bidding and Purchasing Policy</i> to require written contracts to document agreed upon terms		

Somerset County Public Schools

Agency Response Form

Finding 2

Certain requirements of State law and recognized best practices were not incorporated into SCPS' *Bidding and Purchasing Policy* and were not consistently used when participating in intergovernmental cooperative purchasing agreements (ICPAs).

We recommend that SCPS

- a. incorporate the aforementioned statutory requirements and other identified and acknowledged best practices into its *Bidding and Purchasing Policy*,
- b. ensure that the performance of the requirements and best practices are documented when evaluating and participating in ICPAs, and
- c. maintain a comprehensive list of all contracts awarded under an ICPA.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 2a	Agree	Estimated Completion Date:	5/1/2026
Please provide details of corrective action or explain disagreement.	SCPS will incorporate the aforementioned statutory requirements and other identified and acknowledged best practices into its <i>Bidding and Purchasing Policy</i> .		
Recommendation 2b	Agree	Estimated Completion Date:	5/1/2026
Please provide details of corrective action or explain disagreement.	SCPS will ensure that the performance of the requirements and best practices are documented when evaluating and participating in ICPAs.		
Recommendation 2c	Agree	Estimated Completion Date:	5/1/2026
Please provide details of corrective action or explain disagreement.	SCPS will maintain a comprehensive list of all contracts awarded under an ICPA.		

Somerset County Public Schools

Agency Response Form

Finding 3

SCPS did not execute formal written contracts for certain special education services.

We recommend that SCPS require formal written contracts for special education services

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 3	Agree	Estimated Completion Date:	11/1/2025
Please provide details of corrective action or explain disagreement.	SCPS will require formal written contracts for special education services.		

Somerset County Public Schools

Agency Response Form

Finding 4

SCPS did not always publish contract solicitations or awards on *eMaryland Marketplace Advantage (eMMA)* and did not always prepare written justifications for sole source procurements, certain of which did not appear justified.

We recommend that SCPS

- a. revise and implement its *Bidding and Purchasing Policy* to require the publication of contract solicitations and awards on *eMMA* as required, including posting the contracts noted above (repeat);
- b. ensure that sole source contract justifications are prepared as required; and
- c. obtain goods and services through a documented competitive procurement process when applicable (such as, when other vendors can provide the goods and services) to ensure the awarded price is fair and reasonable (repeat).

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 4a	Agree	Estimated Completion Date:	11/1/2025
Please provide details of corrective action or explain disagreement.	SCPS will revise and implement its <i>Bidding and Purchasing Policy</i> to require the publication of contract solicitations and awards on <i>eMMA</i> as required, including posting the contracts noted above.		
Recommendation 4b	Agree	Estimated Completion Date:	11/1/2025
Please provide details of corrective action or explain disagreement.	SCPS will ensure that sole source contract justifications are prepared as required.		
Recommendation 4c	Agree	Estimated Completion Date:	11/1/2025
Please provide details of corrective action or explain disagreement.	obtain goods and services through a documented competitive procurement process when applicable (such as, when other vendors can provide the goods and services) to ensure the awarded price is fair and reasonable.		

Somerset County Public Schools

Agency Response Form

Information Technology

The Office of Legislative Audits (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 the State Government Article 2-1224(i). Although the specifics of the following findings, including the analysis, related recommendations, along with SCPS’ responses, have been redacted from this report copy, SCPS’ 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.

Somerset County Public Schools

Agency Response Form

Transportation Services

Finding 8
SCPS could not support the maintenance costs paid to the bus contractors, improperly paid for excise and fuel tax, and did not have provisions to audit the contractors to verify key contract terms.

We recommend that SCPS

- a. use actual bus operating costs as a basis for establishing contractor rates for per mile maintenance costs or otherwise develop supportable cost estimates as the basis for per mile maintenance costs (repeat),
- b. exclude fuel excise taxes from contractor payments (repeat), and
- c. include a provision to audit the bus contractors in future contracts.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 8a	Agree	Estimated Completion Date:	3/1/2026
Please provide details of corrective action or explain disagreement.	SCPS will use actual bus operating costs as a basis for establishing contractor rates for per mile maintenance costs or otherwise develop supportable cost estimates as the basis for per mile maintenance costs.		
Recommendation 8b	Agree	Estimated Completion Date:	11/1/2025
Please provide details of corrective action or explain disagreement.	SCPS will exclude fuel excise taxes from contractor payments.		
Recommendation 8c	Agree	Estimated Completion Date:	7/1/2025
Please provide details of corrective action or explain disagreement.	SCPS will include a provision to audit the bus contractors in future contracts.		

Somerset County Public Schools

Agency Response Form

Finding 9

SCPS awarded a sole source contract for a school bus safety camera system instead of conducting a competitive procurement.

We recommend that SCPS adhere to statutory requirements for competitive bidding for future bus safety camera contract procurements.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 9	Agree	Estimated Completion Date:	7/1/2026
Please provide details of corrective action or explain disagreement.	SCPS will adhere to statutory requirements for competitive bidding for future bus safety camera contract procurements.		

Somerset County Public Schools

Agency Response Form

OLA has determined that Finding 10 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 is subject to redaction from the publicly available audit report in accordance with the State Government Article 2-1224(i). Although the specifics of the finding, including the analysis, related recommendation(s), along with SCPS’ responses, have been redacted from this report copy, SCPS’ responses indicated agreement with the finding and related recommendations.

Finding 10
Redacted cybersecurity-related finding.

Agency Response has been redacted by OLA.

Somerset County Public Schools

Agency Response Form

Management of Other Risks

Finding 11

SCPS did not obtain and review claims data or verify the eligibility of enrolled dependents and did not adequately monitor the performance of its TPA.

We recommend that SCPS

- a. obtain documentation to support actual claim payments and any additional information on the year-end settlement (repeat);**
- b. obtain documentation to verify the eligibility of dependents claimed by enrolled health care program participants (repeat); and**
- c. establish a process to independently verify, on an annual basis, the TPA’s compliance with required performance measures and assess penalties when performance goals are not met.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 11a	Agree	Estimated Completion Date:	11/1/2026
Please provide details of corrective action or explain disagreement.	SCPS will obtain documentation to support actual claim payments and any additional information on the year-end settlement		
Recommendation 11b	Agree	Estimated Completion Date:	11/1/2026
Please provide details of corrective action or explain disagreement.	SCPS will obtain documentation to verify the eligibility of dependents claimed by enrolled health care program participants.		
Recommendation 11c	Agree	Estimated Completion Date:	7/1/2026
Please provide details of corrective action or explain disagreement.	SCPS will establish a process to independently verify, on an annual basis, the TPA’s compliance with required performance measures and assess penalties when performance goals are not met		

AUDIT TEAM

Adam J. Westover, CPA
Audit Manager

R. Brendan Coffey, CPA, CISA
Information Systems Audit Manager

Ken H. Johanning, CPA, CFE
Senior Auditor

Matthew D. Walbert, CISA
Information Systems Senior Auditor

Jammie A. Brown
Kareem R. Jackson
Staff Auditors

Neha S. Tirkey
Information Systems Staff Auditor