

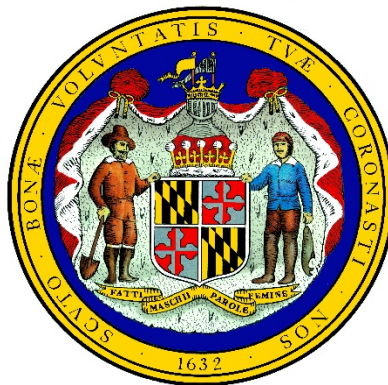
Audit Report

Maryland State Department of Education

January 2026

Public Notice

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



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MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES

OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

January 16, 2026

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 have conducted a fiscal compliance audit of the Maryland State Department of Education (MSDE) for the period beginning June 1, 2021 and ending July 15, 2024. MSDE is responsible for setting statewide goals for school performance, monitoring school achievement, and distributing financial aid. MSDE also operates training programs and provides services to people with disabilities.

Our audit disclosed that MSDE did not have sufficient policies and procedures to ensure employees hired by Local Education Agencies (LEAs) were properly screened and did not have past disciplinary action precluding their employment. In addition, MSDE did not ensure LEAs conducted required criminal background checks, obtained and investigated all alerts of subsequent criminal activity, and referred any disqualifying activity to MSDE. MSDE also did not monitor LEA teacher assignment practices to ensure teachers held an appropriate license.

In addition, our audit disclosed that MSDE issued educator licenses without sufficient independent review and approval to ensure licenses issued were proper. Furthermore, MSDE did not verify the accuracy of the LEAs eligibility determinations for prekindergarten students funded through Blueprint for Maryland's Future.

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 these 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(c), and using our

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

Our audit further disclosed that MSDE did not request federal fund reimbursements timely, resulting in lost investment income totaling at least \$3.6 million and could not provide documentation to support the propriety of accrued federal fund revenue entries at the end of fiscal year 2024 or the subsequent recovery of the funds.

Finally, we received referrals to our fraud, waste, and abuse hotline related to several contract awards and grants. Based on our review, we were able to substantiate certain concerns raised in the allegations. For example, MSDE awarded certain grants and contracts totaling \$1.2 million without a competitive process, and could not always support that deliverables were received. These matters were referred to the Office of the Attorney General's Criminal Division. A referral to the Criminal Division does not mean that a criminal act has actually occurred or that criminal charges will be filed.

MSDE's response to this audit is included as an appendix to this report. Consistent with State law, we have redacted the elements of MSDE's response related to the cybersecurity audit findings. In accordance with State law, we have reviewed the response and, while MSDE generally agrees with the recommendations in this report, we identified certain instances in which statements in the response disagree or appear to be inconsistent with a report finding and recommendation. In each instance, we reviewed and reassessed our audit documentation, and reaffirmed the validity of our finding. In accordance with generally accepted government auditing standards, we have included "auditor's comments" within MSDE's response to explain our position. We will advise the Joint Audit and Evaluation Committee of any outstanding issues that we cannot resolve with MSDE.

We wish to acknowledge the cooperation extended to us during the audit by MSDE and its agreement to implement the audit recommendations.

Respectfully submitted,

Brian S. Tanen

Brian S. Tanen, CPA, CFE
Legislative Auditor

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Background Information

Agency Responsibilities

The Maryland State Department of Education (MSDE), as the staff agency of the State Board of Education, supports the development and operation of educational programs throughout the State. MSDE is responsible for setting Statewide goals for school performance, monitoring school achievement, and distributing financial aid. MSDE also operates training programs and provides services to people with disabilities. MSDE consists of the Headquarters and five other units or divisions. This audit report includes the operation of the following units or divisions:

- **Headquarters** – Centralized business services including procurement, accounts payable, corporate purchasing cards, grants management, human resources, payroll, internal audits, and the Division of Rehabilitation Services.
- **Aid to Education** – Formula funded grants, grants for Blueprint for Maryland’s Future programs, and federal assistance for local education agencies and other providers.
- **Funding for Educational Organizations** – Grants to the Maryland School for the Blind, Blind Industries and Services of Maryland, and other educational institutions (such as museums and theaters).

The remaining three units or divisions of MSDE (Division of Early Childhood, Maryland Longitudinal Data System Center, and the Maryland Center for School Safety) are included within the scope of, and reported upon in, separate audit reports.¹ The support services these units or divisions receive from MSDE Headquarters are subject to review and testing during this audit.

According to the State’s records, during fiscal year 2024 MSDE’s operating expenditures totaled approximately \$10.8 billion, of which \$10.2 billion related to Headquarters, Aid to Education, and Funding for Educational Organizations, which are included in this audit (see Figure 1). This includes approximately \$9 billion in State-funded Aid to Education, of which \$7.7 billion are grants awarded to local education agencies (such as Blueprint for Maryland’s Future). The remaining \$1.3 billion are comprised of payments for education-related costs (such as the employer’s share of retirement costs for local school system employees) and certain innovative programs.

¹ The Maryland Longitudinal Data System Center and the Maryland Center for School Safety are independent units of State government that have governing boards within MSDE.

Figure 1
MSDE Positions, Expenditures, and Funding Sources²

Full-Time Equivalent Positions as of June 30, 2024	
	Positions
Filled	943
Vacant	79
Total	1,022
Fiscal Year 2024 Expenditures	
	Expenditures
Salaries, Wages, and Fringe Benefits	\$ 131,356,273
Technical and Special Fees	53,929,561
Grants, Subsidies, and Contributions	9,874,209, 362
Other Operating Expenses	95,802,711
Total	\$10,155,297,907
Fiscal Year 2024 Funding Sources	
	Funding
General Fund	\$ 7,269,433,378
Special Fund	1,504,729,848
Federal Fund	1,381,045,718
Reimbursable Fund	88,963
Total	\$10,155,297,907

Source: State financial and personnel records

Blueprint for Maryland's Future Program (Blueprint)

Blueprint is a State-funded grant program based on recommendations of the Maryland Commission on Innovation and Excellence in Education.³ Chapter 771, Laws of Maryland 2019, effective June 1, 2019, established principles of Blueprint that are intended to transform Maryland's early childhood, primary, and secondary education system 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.

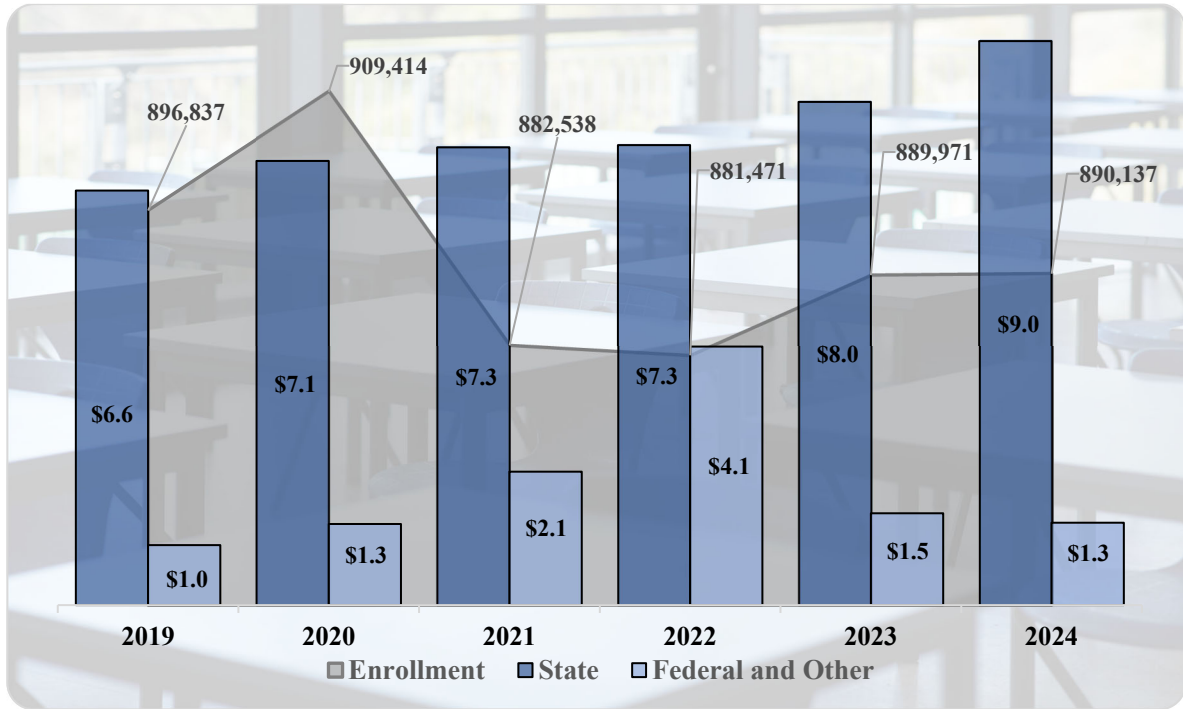
² This information is for only those MSDE units or Divisions under the current audit, specifically Headquarters, Aid to Education, and Funding for Educational Organizations.

³ 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.

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

As noted in Figure 2, State-funded Aid to Education expenditures increased \$2.4 billion since fiscal year 2019 (increase from \$6.6 billion in fiscal year 2019 to \$9 billion in fiscal year 2024). The increase was primarily attributed to Blueprint programs and initiatives. However, student enrollment in Maryland public schools has decreased by 6,700 students (decrease from 896,837 students in fiscal year 2019 to 890,137 students in fiscal year 2024). MSDE advised us that the decrease in enrollment was primarily related to students being enrolled in alternative schooling options during the COVID-19 public health crisis.

Figure 2
Enrollment and Aid to Education Expenditures by Source
Fiscal Years 2019 through 2024
 (dollar amounts in billions)



State funding for fiscal year 2024 included:

- \$7.7 billion for State-funded Aid to Education (including the Blueprint for Maryland's Future programs)
- \$745 million for the State-share of LEA employee pension costs
- \$450 million for Early Childhood programs (including Prekindergarten)
- \$109 million for Other State Funding

Source: State financial records and MSDE records

Organizational Changes

Effective July 1, 2022, Chapter 147, Laws of Maryland 2021, transferred the Juvenile Services Education Program (JSEP) from MSDE to an independent unit within the Department of Juvenile Services (DJS). Specifically, the fiscal responsibilities and oversight of JSEP were transferred to a governing board and superintendent within DJS. This audit includes JSEP activities through

July 1, 2022 and activity subsequent to this date has been included in our fiscal compliance audit report of the *Department of Juvenile Services* dated May 1, 2025.

Effective July 1, 2023, Chapter 679, Laws of Maryland 2023, made the Interagency Commission on School Construction (IAC) an independent unit of State government instead of an independent commission within MSDE. As of July 1, 2023, MSDE no longer provides support services to IAC (such as payroll, maintenance of certain accounting records, and related fiscal functions). IAC activity prior to August 1, 2022 was included in our separate audit report of IAC dated March 14, 2023. This audit includes support services provided to IAC by MSDE between August 1, 2022 through July 1, 2023 and activities subsequent to this date will be included in the scope of our next audit of IAC.

Federal Funds for COVID-19 Grants

On March 28, 2025, the United States Department of Education (DOE) notified every State that it was ending the liquidation period for COVID-19 grants⁴ effective immediately. MSDE management informed us that, as of April 2025, it estimated a potential loss of at least \$232 million in COVID-19 grants. This includes approximately \$127 million for amounts expended by MSDE, and \$105 million for local education agency (LEA) expenditures that were not yet paid by MSDE.⁵ Maryland and other states filed a lawsuit regarding these funds and in May 2025, the U.S. District Court issued an injunction which was upheld in June 2025 by the U.S. Court of Appeals allowing Maryland to submit reimbursement requests for these funds.

Referrals to Our Fraud, Waste, and Abuse Hotline

We received referrals to our fraud, waste, and abuse hotline alleging that MSDE had executed contracts with specific vendors without performing a competitive procurement or considering other qualified vendors in accordance with State procurement regulations. Based on our review, we were able to substantiate certain aspects of the allegations (see Finding 10), which we referred to the Office of the Attorney General's Criminal Division. A referral to the Criminal Division

⁴ Elementary and Secondary School Emergency Relief (ESSER) grants funded through the federal Coronavirus Response and Relief Supplemental Appropriations Act (ESSER II) and the American Rescue Plan (ESSER III) provided funding to address the impact of the COVID-19 pandemic on schools and students.

⁵ Typically, the LEAs expend funds related to these grants and submit support to MSDE for payment. MSDE processes payments to the LEAs and subsequently submits requests for reimbursement to DOE.

does not mean that a criminal act has actually occurred or that criminal charges will be filed.

We also received a referral to our fraud, waste, and abuse hotline containing allegations regarding certain practices of MSDE's Youth Development Branch (YDB) office. This referral included allegations that MSDE has steered grant evaluation activities to certain vendors, and delayed payments to grantees. We conducted a review of the award and payment process for 21st Century Community Learning Centers grants, which is the most significant grant under the YDB. Based on our review, we were able to substantiate certain aspects of the allegation (see Finding 11). However, the results of our review of this allegation did not identify any issues that warranted a referral to the Office of the Attorney General – Criminal Division.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the nine findings contained in our preceding audit report dated January 31, 2023. See Figure 3 for the results of our review.

Figure 3
Status of Preceding Findings

Preceding Finding	Finding Description	Implementation Status
Finding 1	The Maryland State Department of Education (MSDE) did not ensure local education agencies (LEAs) used Blueprint for Maryland's Future funds in accordance with the purposes established by State law.	Not repeated
Finding 2	MSDE should consider establishing a monitoring process to ensure LEAs implemented appropriate corrective actions to address findings from our Office's financial management practices audit reports.	Not repeated
Finding 3	MSDE's enrollment audits did not incorporate certain procedures to ensure LEAs properly recorded and reported student attendance used to calculate State funding.	Not repeated
Finding 4	Redacted cybersecurity-related finding. ⁶	Status Redacted ⁶
Finding 5	Redacted cybersecurity-related finding. ⁶	Status Redacted ⁶
Finding 6	Redacted cybersecurity-related finding. ⁶	Status Redacted ⁶
Finding 7	Redacted cybersecurity-related finding. ⁶	Status Redacted ⁶
Finding 8	MSDE did not always verify the accuracy of expenditure and performance data by grantees, and did not always conduct site visits of grantees.	Not repeated
Finding 9	MSDE did not always comply with State procurement regulations including documenting bid openings, retaining proposals, and publishing contract awards on <i>eMaryland Marketplace Advantage</i> .	Not repeated

⁶ The finding description as well as the implementation status of this cybersecurity-related finding has been redacted from the publicly available report in accordance with State Government Article, Section 2-1224(i) of the Annotated Code of Maryland.

Findings and Recommendations

Oversight of Local Education Agencies (LEAs)

Finding 1

The Maryland State Department of Education (MSDE) did not have sufficient policies and procedures to ensure employees hired by LEAs were properly screened and did not have past disciplinary action that precluded employment to work with children.

Analysis

MSDE did not have sufficient policies and procedures to ensure employees hired by LEAs were properly screened and did not have past disciplinary action that precluded employment to work with children.

Pre-employment Screening

MSDE did not establish procedures to ensure LEAs performed the required pre-employment screenings. State law effective July 1, 2019 (and updated July 1, 2021) requires LEAs to provide screening of positions with direct contact with a minor. According to MSDE records, approximately 35,000 teachers were hired since July 1, 2019 that would have required the screening. Our review disclosed that MSDE did not have any process to verify that the LEAs were conducting the required screenings. In this regard, recent Office of Legislative Audits reports of three LEAs disclosed that the required screenings were not always being performed.

The screenings include a written statement by the applicant attesting they were not the subject of a child sexual abuse or sexual misconduct investigation by any employer that resulted in a finding.⁷ In addition, the LEAs were required to contact the applicant's current or prior employers to verify this information.

Identifying Educators with Past Disciplinary Action

MSDE did not ensure LEAs obtain membership in the National Association of State Directors of Teacher Education and Certification (NASDTEC) clearinghouse that provides information of disciplinary actions for educators, including those reported by MSDE. Despite MSDE's periodic communications to the LEAs encouraging membership, MSDE management advised that 16 of the 24 LEAs are not members of the clearinghouse and therefore do not have access to the disciplinary information of all educators. In this regard, the 16 LEAs only have access to disciplinary information for individuals that have an educator

⁷ This is in addition to existing requirements, that include obtaining a criminal background check.

licensing record in MSDE's licensing system since there is an automatic match to NASDTEC. Therefore, if an educator does not have a record in MSDE's licensing system, the 16 LEAs do not have access to these past disciplinary actions.

Recommendation 1

We recommend that MSDE

- a. establish procedures to ensure, at least on a test basis, that required pre-employment screenings were performed for applicants being hired for positions with direct access to minors; and**
- b. ensure LEAs obtain membership in the NASDTEC clearinghouse to identify and take appropriate actions against individuals with past disciplinary actions.**

Finding 2

MSDE did not have comprehensive procedures to ensure individuals with disqualifying criminal backgrounds were not employed at LEAs.

Analysis

MSDE did not have comprehensive procedures to ensure individuals with disqualifying criminal backgrounds were not employed at LEAs. State law requires LEAs to obtain national and state criminal history record checks for all employees on or before the first day of employment and prohibits LEAs from hiring or retaining individuals who have been convicted of certain offenses against minors, or crimes of violence. State regulations further require denial, suspension, or revocation of an MSDE educator license for crimes including child abuse or neglect, which would render the individual ineligible for positions that require a license, such as teaching.

- MSDE did not establish procedures (such as periodic audits) to ensure LEAs conducted required criminal background checks on or before the first day of employment. In addition, MSDE did not establish procedures to ensure LEAs enrolled all employees with the Department of Public Safety and Correctional Services (DPSCS) to obtain alerts of subsequent State criminal activity, investigate the alerts, and refer any disqualifying activity to MSDE, as required. Furthermore, our review disclosed that MSDE did not establish procedures to verify the LEAs complied with this requirement and could not readily provide the number of alerts received and investigated by the LEAs.

Our test of 15 employees hired by 3 LEAs⁸ from May 2024 through August 2025, disclosed that criminal background checks were obtained for all 15 employees. However, further analysis of 559 teachers at 1 of these LEAs, who were hired prior to September 2024 and still employed at the LEA as of October 2025, disclosed that 191 (approximately 34 percent) were not enrolled for alerts. MSDE was unaware that the LEA had not enrolled these teachers and could not readily explain why.

- MSDE did not require LEAs to enroll in the U.S. Federal Bureau of Investigation's Record of Arrest and Prosecutions Back program (Rap Back) to continuously monitor criminal history and automatically alert LEAs of employees with criminal activity in other states. DPSCS advised us that only 1 of the 24 LEAs were enrolled in the Rap Back program, as of October 2025.

According to MSDE's records, during the 2024-2025 school year, the LEAs had approximately 130,900 employees.

Recommendation 2

We recommend that MSDE

- a. establish procedures (such as periodic audits) to ensure LEAs obtain required criminal background checks and alerts, and that these results are investigated and referred to MSDE as appropriate; and**
- b. require LEAs to enroll all applicable employees in the Rap Back program.**

Finding 3

MSDE did not monitor LEA teacher assignment practices to ensure teachers were assigned within their area of licensure, as required.

Analysis

MSDE did not monitor LEA teacher assignment practices to ensure teachers were assigned within their area of licensure. State regulations require teachers employed in public schools to hold an appropriate license in their areas of major assignment and for MSDE to monitor the teacher assignment practices on a periodic basis.⁹

⁸ The 3 LEAs were selected for review from LEAs with ongoing Financial Management Practice audits during the time of our audit of MSDE.

⁹ State regulations also allow teachers to teach up to two classes outside their areas of licensure, with additional classes allowed under certain circumstances.

We obtained listings of teacher assignments from 3 LEAs for the 2024-2025 school year and arbitrarily selected 68 teachers for testing. We compared the classes assigned for each of these teachers to the teacher's area of licensure as recorded in MSDE's licensing system and noted no instances of unlicensed teachers or teachers who were improperly assigned.

Recommendation 3

We recommend that MSDE monitor the class assignment practices of the LEAs to ensure that teacher assignments are in accordance with their area of licensure, as required.

Licensing

Finding 4

MSDE did not independently review and approve all initial applications for educator licenses and related support to ensure the applicant met all required qualifications.

Analysis

MSDE did not independently review and approve all initial applications for educator licenses processed by MSDE and LEA employees to ensure the applicant met all required qualifications. Specifically, MSDE only independently reviewed one percent of all applications (including initial applications and renewals). Supporting documentation would include relevant work experience and educational requirements, as well as scores for assessment and licensing tests. According to MSDE records, during fiscal year 2025, 6,509 of the 6,573 initial applications for licensure and supporting documentation were not independently reviewed to verify applicants were qualified.

We arbitrarily selected 20 initial applications processed between July 2024 and May 2025 and noted that none of these applications were subject to an independent approval. Our test of these applications disclosed that they were all properly issued.

State law and regulations provide that educators are to be initially licensed and subject to renewal by MSDE. According to MSDE's records, during the period April 2022 through August 2025, approximately 67,000 licenses were issued and renewed, and as of October 2025, there were 96,000 active licenses.

Recommendation 4

We recommend that MSDE independently review and approve all initial applications and related supporting documentation to ensure the applicants meet all required qualifications.

Blueprint Prekindergarten Funding

Finding 5

MSDE did not verify the accuracy of LEAs' eligibility determinations for prekindergarten students funded through Blueprint.

Analysis

MSDE did not verify the accuracy of LEAs' eligibility determinations for prekindergarten students funded by Blueprint. Starting in fiscal year 2023, Blueprint prekindergarten funding was provided to LEAs for certain children from qualifying families (such as household incomes up to 300 percent of the federal poverty level or who are considered homeless). According to State and MSDE records during fiscal year 2024, MSDE expended approximately \$98.9 million on behalf of 17,177 prekindergarten students.

Our review disclosed that MSDE requires each LEA to maintain documentation to support the household income used to determine each student's eligibility but did not have a process to independently verify these determinations. This is significant because our testing disclosed that these determinations could not always be supported, and therefore the LEA may have improperly received funding for certain students. Specifically, we arbitrarily selected 1 LEA that received approximately \$6.7 million in prekindergarten funds during fiscal year 2024 with 2,112 prekindergarten students as of September 30, 2024 that the LEA determined were eligible for funding. Our test of 20 of these students¹⁰ disclosed that the LEA could not provide documentation for 5 students to fully support the household income amount used to determine eligibility (such as income documentation for both parents with joint custody of the student).

Recommendation 5

We recommend that MSDE establish procedures to review documentation to ensure the accuracy of eligibility determinations made by LEAs for prekindergarten funding.

¹⁰ Students were selected primarily based on the reported household income levels.

Information Systems Security and Control

We determined that the Information Systems Security and Control section, including Findings 6 and 7 related to “cybersecurity,” as defined by the State Finance and Procurement Article, Section 3.5-301(c) 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 MSDE’s responses, have been redacted from this report copy.

Finding 6
Redacted cybersecurity-related finding.

Finding 7
Redacted cybersecurity-related finding.

Federal Funds

Finding 8
MSDE did not request federal funds timely resulting in lost investment income totaling at least \$3.6 million.

Analysis

MSDE did not ensure federal funds were requested and received timely and may no longer be able to recover certain federal fund expenditures. According to State records, during fiscal year 2024, MSDE’s federal fund expenditures totaled approximately \$1.6 billion. This amount includes \$422 million for various food services programs, \$352.6 million for Title I grants to improve education and school conditions, \$251.1 million for special education programs, and \$565.1 million for other federal programs.

We reviewed three federal grants with expenditures totaling approximately \$550 million during the period from July 2023 through September 2024.¹¹ The federal guidelines for these grants permit reimbursements to be requested when expenditures are incurred. Our review disclosed that requests for reimbursement were not submitted timely. For example, MSDE did not request reimbursement for \$194.1 million expended on one grant from December 2023 through July 2024

¹¹ These grants were selected based on the materiality of expenditures.

until September 2024. Consequently, the State lost investment interest totaling at least \$3.6 million from these grants that would have been earned had the funds been requested and received timely.

Potential Inability to Recover Federal Funds

As of March 2025, MSDE had not requested reimbursement for approximately \$20.7 million in COVID-19 funds which may no longer be available. During January 2024, MSDE requested and received \$90.5 million from the federal government related to one grant, when it should have requested only \$20.7 million. MSDE advised us that it detected this error and returned the entire \$90.5 million to the federal government in May 2024 but has not requested the \$20.7 million that should have originally been recovered.

In March 2025, the United States Department of Education notified State agencies that COVID-19 grant liquidation period was ending. However, following an injunction upheld by the U.S. Court of Appeals in June 2025, reimbursement requests could again be submitted (see comments above in the Background) but there is still a possibility that these funds may no longer be available. While some or all of the remaining funds may ultimately be recovered, to the extent that the federal funds are not available, State general funds may be needed to cover any related deficits.

Recommendation 8

We recommend that MSDE

- a. submit federal fund reimbursement requests timely as permitted under federal guidelines, and**
- b. determine the outstanding balance of expenditures that have not been reimbursed by the federal government and take all available actions to promptly obtain these funds.**

Year-End Closing Entries

Finding 9

MSDE could not provide documentation to support the propriety of accrued federal fund revenue entries or the subsequent recovery of the funds.

Analysis

MSDE could not provide documentation to support the propriety of accrued federal fund revenue entries or the subsequent recovery of the funds. At the end of fiscal year 2024, MSDE recorded 101 accrued federal fund revenue entries totaling \$878.8 million.

- MSDE recorded accrued revenue entries to bring each federal account balance to zero at year-end without verifying that the amounts recorded were valid and collectable. Our test of 11 accrued federal fund revenue entries¹² recorded at the end of fiscal year 2024 totaling \$525.4 million, disclosed that MSDE could not readily document that these entries accurately reflected amounts collectable from the federal government. The lack of documentation is significant because the \$878.8 million accrued at the end of fiscal year 2024 did not seem reasonable as it represented approximately 55 percent of MSDE's \$1.6 billion in fiscal year 2024 expenditures, which are generally submitted for reimbursement monthly.
- As of November 1, 2024, MSDE had not requested or could not document the recovery of funds for 9 of the 11 accrued revenue entries totaling \$278 million. For example, for 5 accrued revenue entries totaling \$145.3 million, MSDE had not requested reimbursement from the federal government. For 3 other reimbursements totaling \$122 million, MSDE advised the funds were received but could not document it received \$110.7 million of the funds. While some or all of these amounts may ultimately be recovered, to the extent that the federal funds are not available, State general funds may be needed to cover any related deficits.

Similar conditions were included in our reports on the *Statewide Review of Budget Closeout Transactions for Fiscal Year 2023 and 2024*.¹³ The Comptroller of Maryland General Accounting Division's year-end closing instructions provide that accrued revenue transactions should reflect amounts that are collectable within 60 days of the end of the fiscal year and that revenue should be recognized in the same fiscal year the expenditure is made. The instructions also require that detailed documentation to support the transactions be maintained.

Recommendation 9

We recommend that MSDE

- ensure that all accrued federal fund revenue entries are properly supported, as required by GAD policies;**
- analyze the receivable balances to determine the collectability of any deficit balances; and**
- properly report any amounts determined to be uncollectable and work with the Department of Budget and Management to resolve any related deficits.**

¹² We selected these test items based on materiality.

¹³ Subsequent to our fieldwork, similar conditions were included in our report on the *Statewide Review of Budget Closeout Transactions for Fiscal Year 2025*.

Technical Assistance Grants and Contracts

Finding 10

MSDE awarded certain grants and contracts totaling \$1.2 million without a competitive process and could not always support that the related deliverables were received.

Analysis

MSDE awarded certain grants and contracts totaling \$1.2 million without a competitive process, and could not always support that deliverables were received. We received referrals to our fraud, waste, and abuse hotline alleging that MSDE inappropriately awarded certain grants and contracts with specific vendors without performing a competitive procurement or considering other qualified vendors. Our review of the allegation disclosed the following conditions:

Grants to Out-of-State Vendors and Related Payments Not Supported

MSDE awarded two grants totaling \$700,000 to an out-of-state vendor (\$200,000 in October 2023 and \$500,000 in November 2023) without a competitive process when these services may have been provided by a State university. The grants were awarded to obtain an analysis of 138 Title I schools¹⁴ to identify underlying issues that impair the school's performance, and to provide intensive coaching for 27 of these schools.

MSDE could not justify why it did not consider obtaining these services through an interagency agreement with a State university that had previously provided the services to MSDE. According to grant documents, MSDE did not competitively procure the grants because there was an urgent need to complete these services in accordance with federal requirements. This response does not justify its decision to use an out-of-state vendor instead of a State university.

MSDE also paid the out-of-state vendor \$700,000 in advance of the work being performed and could not provide any documentation that the analysis and intensive coaching for certain schools were received. Specifically, MSDE was only able to provide documentation of self-assessments that were sent to certain schools, but there was no evidence the vendor performed the required analysis. MSDE's written *Grant Justification Guidance* requires competitive grant awards and State procurement regulations generally require competitive solicitation for all procurements unless certain conditions apply, such as the services are available from a single source.

¹⁴ Title I schools receive additional federal funding under the Every Student Succeeds Act (ESSA) to support students from low-income families.

Sole Source Contracts Were Not Justified and Deliverables Were Not Supported

MSDE could not justify three sole source contracts totaling \$489,000 awarded between October 2021 and August 2022 to one vendor for educational and training consulting services. The use of the sole source procurement method did not appear justified since MSDE's written justifications acknowledged that other vendors could have provided the services. Rather, MSDE indicated it did not competitively procure the contract because it would have caused significant delays in obtaining the services.

MSDE also could not provide documentation that certain deliverables were received. For example, the deliverables for a \$392,000 contract were primarily meeting with MSDE staff and providing training to LEAs. Our test of 14 payments totaling \$249,455 disclosed that the vendor only provided summaries of work performed without any specific details about meetings or training provided, such as the dates of the meetings or training and names of subject matter experts involved.

According to State records, MSDE paid this vendor a total of approximately \$346,000 during the period April 2022 through December 2023. In December 2023, MSDE terminated the contract, which MSDE management advised was due to the current Superintendent deciding that the work needed to go in a different direction. The Comptroller of Maryland's *Accounting Policies and Procedures Manual* states that invoices must sufficiently describe the details of the goods or services being paid including the date that the goods or services were rendered.

Based on the questionable nature of the awards and the lack of support of the related deliverables we were able to substantiate the allegation, which we referred to the Office of the Attorney General's Criminal Division. A referral to the Criminal Division does not mean that a criminal act has actually occurred or that criminal charges will be filed.

Recommendation 10

We recommend that MSDE

- a. competitively procure services in accordance with MSDE's *Grant Justification Guidance* and State procurement regulations;**
- b. adequately document the scope of services and deliverables to be provided under each agreement;**
- c. obtain adequate documentation to support that related services and deliverables are completed prior to payment; and**
- d. in conjunction with legal counsel, consider the recovery of funds previously paid for unsupported services, to the extent practicable.**

21st Century Community Learning Centers Grants

Finding 11

MSDE did not always process 21st Century Community Learning Centers (CCLC) grant reimbursement requests timely including 15 payments totaling approximately \$389,000 that were paid between 106 and 332 days after receipt of the invoice.

Analysis

MSDE did not always process CCLC grant reimbursement requests within 60 days as required by its grant application. CCLC is a federally funded grant to provide after-school and summer programs to high-poverty and low-performing schools. MSDE awarded CCLC grants to private providers, LEAs, and local government agencies to provide services, such as substance abuse and alcohol prevention; counseling; and art, music, and technical education to reinforce and complement the regular academic programs of participating students. According to State records, from September 2021 through May 2025, MSDE made CCLC grant payments totaling \$30.2 million to 30 private providers and \$12.2 million to 7 LEAs and 2 local government agencies.

We received a referral to our fraud, waste, and abuse hotline alleging that grant evaluation activities were steered to certain vendors and payments to grantees were delayed. Based on our review, we were unable to substantiate whether grant evaluation activities were steered to certain vendors, but we were able to substantiate that payments to CCLC grantees were delayed. We did not identify any issues that warranted a referral to the Office of the Attorney General's Criminal Division.

Our analysis of grantee payments from January 2023 to May 2025 disclosed that 219 grantee requests totaling approximately \$10.1 million were paid more than 100 days after the related services were provided.¹⁵ While some of these delays may be due to untimely submission of an invoice, our test of 15 of these payments made to private providers totaling approximately \$389,000¹⁶ disclosed that MSDE paid the grantees between 106 and 332 days after receipt of the initial invoice. For example, for 4 payments totaling \$84,323, MSDE advised that it misplaced the grantee reimbursement request resulting in the payments being made 178 days to 288 days after the original reimbursement request.

¹⁵ MSDE did not record the date it received grant reimbursement requests in the State's Financial Management Information System (FMIS) but it did usually record the month of service of the requests. Therefore, we performed our analysis using the latest month of service recorded in FMIS for each request. The month(s) of service were recorded for 434 requests from private providers with related payments totaling \$24.9 million.

¹⁶ Test items were selected from the 219 payments primarily based on materiality.

Recommendation 11

We recommend that MSDE process CCLC grant reimbursements within 60 days as required by its grant application.

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Maryland State Department of Education (MSDE) for the period beginning June 1, 2021 and ending July 15, 2024. The audit was conducted 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.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine MSDE's financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk. The areas addressed by the audit included grants (both for local education agencies {LEAs} and other educational organizations), monitoring of LEAs' compliance with Blueprint for Maryland's Future, requirements for background checks and employment pre-screenings, educator licensing, federal funds, procurements and disbursements, payroll, vocational rehabilitation services, and information systems security and control. In addition, we reviewed certain activities related to contracts and grants based on referrals to our fraud, waste, and abuse hotline. Finally, we also determined the status of the findings contained in our preceding audit report.

Our audit also included certain support services (including payroll processing, purchasing, maintenance of accounting records, and related fiscal functions) provided by MSDE to its units or divisions. Our audit did not include an evaluation of internal controls over compliance with federal laws and regulations for federal financial assistance programs and an assessment of MSDE's compliance with those laws and regulations by MSDE because the State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies, including MSDE.

Our assessment of internal controls was based on agency procedures and controls in place at the time of our fieldwork. Our test of transactions and other auditing procedures were generally focused on the transactions occurring during our audit period of June 1, 2021 to July 15, 2024, but may include transactions before or after this period as we considered necessary to achieve our audit objectives.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, tests of transactions, and to the extent practicable, observations of MSDE's operations. 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.

We also performed various data extracts of pertinent information from the State's Financial Management Information System (such as revenue and expenditure data) and the State's Central Payroll Bureau (payroll data), as well as from the contractor administering the State's Corporate Purchasing Card Program (credit card activity). The extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine data reliability. We determined that the data extracted from these sources were sufficiently reliable for the purposes the data were used during this audit.

We also extracted data from MSDE's educator licensing system (such as application and license data) for the purpose of testing educator licenses, as well as from the Division of Rehabilitation Services' financial records for the purpose of testing certain areas, such as payments made for consumers under individual plans for employment. We performed various tests of the relevant data and determined that the data was sufficiently reliable for the purposes the data was used during the audit. Finally, we performed other auditing procedures that we considered necessary to achieve our audit objectives. The reliability of data used in this report for background or informational purposes was not assessed.

MSDE's 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 MSDE, 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.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

This report includes findings relating to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect MSDE's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our audit also includes findings regarding significant instances of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to MSDE that 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(c), 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 MSDE and those parties responsible for acting on our recommendations in an unredacted audit report.

MSDE's 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 MSDE regarding the results of our review of its response.

APPENDIX



Carey M. Wright, Ed.D.
State Superintendent of Schools

January 14, 2026

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

Dear Mr. Tanen:

Enclosed please find the Maryland State Department of Education (MSDE) response to the Office of Legislative Audits report for the period beginning June 1, 2021 and ending July 15, 2024. We appreciate the efforts of your audit staff to help improve our controls and the cooperative relationship with your office.

Should you have any questions, please contact Ms. Patricia Ramallosa at patricia.ramallosa4@maryland.gov or Mr. Richard McElroy at richard.mcelroy@maryland.gov.

Sincerely,

A handwritten signature in black ink that reads "Carey M. Wright". The signature is fluid and cursive, with the first name "Carey" being more prominent.

Carey M. Wright, Ed.D.
State Superintendent of Schools

cc: Alex Reese, Chief of Staff
Krishnanda Tallur, Chief Operating Officer
Geoff Sanderson, Chief of Accountability
Tenette Smith, Ed.D., Chief Academic Officer
Patricia Ramallosa, Director – Office of Audits
Richard McElroy, Deputy Director – Office of Audits

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Oversight of Local Education Agencies (LEAs)

Finding 1

The Maryland State Department of Education (MSDE) did not have sufficient policies and procedures to ensure employees hired by LEAs were properly screened and did not have past disciplinary action that precluded employment to work with children.

We recommend that MSDE

- a. establish procedures to ensure, at least on a test basis, that required pre-employment screenings were performed for applicants being hired for positions with direct access to minors; and
- b. ensure LEAs obtain membership in the NASDTEC clearinghouse to identify and take appropriate actions against individuals with past disciplinary actions.

Agency Response			
Analysis	Factually Accurate		
Please provide additional comments as deemed necessary.	Since the enactment of State Education Article § 6-113.2 on July 1, 2019, although not required by statute, the MSDE has constantly developed formal guidance documents, multiple memoranda, and technical assistance. These were provided to the LEA Superintendents and Human Resources Directors to assist them as they complied with this regulation. MSDE also provided regular training to the LEA personnel responsible for conducting employee history reviews to ensure they are equipped with the necessary skills and knowledge regarding the required reviews.		
Recommendation 1a	Agree	Estimated Completion Date:	2/28/2026
Please provide details of corrective action or explain disagreement.	MSDE agrees with the recommendation. MSDE will develop regulations and procedures to ensure LEAs follow the requirements of Education Article § 6-113.2 during the hiring process. Specifically, MSDE will recommend amending COMAR 13A.07.14 - Child Abuse and Sexual Misconduct, to require each LEA to submit an annual attestation to the State Board of Education that it has complied with the requirements of Education Article § 6-113.2. In addition, MSDE will also recommend that the LEAs be required at least on a test basis to perform a limited review either internally or		

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	externally to ensure compliance with Education Article § 6-113.2. Also, this recommendation will require the LEAs to provide a copy of the limited review report to MSDE to ensure that the review was performed. Furthermore, MSDE will establish a new regulation requiring each LEA to annually provide a copy of its hiring procedures, which MSDE will review for alignment with Education Articles §6-113, §6-113.1, and §6-113.2.		
Recommendation 1b	Disagree	Estimated Completion Date:	6/30/2026
Please provide details of corrective action or explain disagreement.	Currently, MSDE does not have the authority to require LEAs to become associate members of the National Association of State Directors of Teacher Education and Certification (NASDTEC) Clearinghouse. Maryland House Bill 1025 from the 2025 legislative session mandating this requirement did not pass. As an alternative resolution, MSDE will make a recommendation to the State Board of Education to promulgate a regulation requiring each LEA to ensure that all its applicants for positions requiring licensure register in the State licensure system (The Educator Application and Credentialing Hub or TEACH) before beginning an assignment. The MSDE maintains annual membership in NASDTEC. As such, MSDE will receive an immediate notification from NASDTEC regarding any licensure action taken against an applicant once the applicant registers in TEACH. We believe this action will accomplish the objective of Recommendation 1b.		

Auditor's Comment: While MSDE disagrees with recommendation 1b because it does not have the authority to require LEAs to become associate members of the National Association of State Directors of Teacher Education and Certification (NASDTEC) Clearinghouse, MSDE presents an alternative process that would ensure individuals with past disciplinary actions are identified. That said, we continue to believe that MSDE should take the necessary steps to ensure all LEAs enroll in the Clearinghouse to help ensure that educators with disciplinary action are timely identified by the LEAs.

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Finding 2

MSDE did not have comprehensive procedures to ensure individuals with disqualifying criminal backgrounds were not employed at LEAs.

We recommend that MSDE

- a. establish procedures (such as periodic audits) to ensure LEAs obtain required criminal background checks and alerts, and that these results are investigated and referred to MSDE as appropriate; and**
- b. require LEAs to enroll all applicable employees in the Rap Back program.**

Agency Response			
Analysis	Factually Accurate		
Please provide additional comments as deemed necessary.	As noted in the Analysis, “State law requires LEAs to obtain national and state criminal history records checks” for their employees before employment. LEAs obtain these criminal history records checks (CHRCs) directly for their employees, but MSDE does not receive the results and is not required to receive the results. Although the statute vests LEAs, and not MSDE, with responsibility for completing the CHRC on or before a prospective employee’s first day of employment, MSDE nevertheless provides guidance and technical assistance to LEA employers regarding the requirements of the law. To be sure, some criminal convictions preclude employment with children, but others do not. As a result, LEA employers may, and often do, develop broader policies that prohibit the hiring of applicants with criminal convictions beyond those prohibited by Education Article § 6-113. As MSDE has advised LEAs in the past, employers should work internally and with their own legal counsel to properly vet applicants and investigate CHRC results to ensure the health, safety, and welfare of all Maryland students.		
Recommendation 2a	Agree	Estimated Completion Date:	7/31/2026
Please provide details of corrective action or explain disagreement.	MSDE agrees with the recommendation. MSDE will recommend the promulgation of regulations requiring the LEAs to (1) obtain criminal background checks, related alerts and the related results are investigated, and referred to MSDE as appropriate; (2) submit an annual attestation to the State Board of Education that it has complied with the approved regulation; and (3) at least on a test basis to perform a limited review		

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	either internally or externally to ensure compliance with the approved regulation. Also, the proposed regulation will require the LEAs to provide a copy of the report to MSDE to document the review was performed. Finally, once the proposed regulations are enacted, MSDE will develop procedures which will ensure the enacted regulations are complied with by the LEAs.		
Recommendation 2b	Agree	Estimated Completion Date:	7/31/2026
Please provide details of corrective action or explain disagreement.	MSDE agrees with the recommendation. As required by COMAR 12.15.01.19A(1) and 12.15.06.04A(1), if a non-criminal justice government agency is authorized by State statute to receive federal criminal history records information, the Central Repository shall enroll the non-criminal justice government agency in the FBI Rap Back Program. MSDE will coordinate with the Department of Public Safety and Correctional Services to ensure all LEAs are enrolled in the Rap Back Program. While the Agency will perform the prior mentioned process, MSDE does not have the authority to enforce that CJIS must comply with the provisions of the prior mentioned COMAR citations.		

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Finding 3

MSDE did not monitor LEA teacher assignment practices to ensure teachers were assigned within their area of licensure, as required.

We recommend that MSDE monitor the class assignment practices of the LEAs to ensure that teacher assignments are in accordance with their area of licensure, as required.

Agency Response			
Analysis	Factually Accurate		
Please provide additional comments as deemed necessary.			
Recommendation 3	Agree	Estimated Completion Date:	6/30/2026
Please provide details of corrective action or explain disagreement.	MSDE agrees with the recommendation. MSDE will develop policies and procedures to monitor annually the assignment of teachers in the LEAs to ensure that teacher assignments are in accordance with their area of licensure as required in COMAR 13A.12.02.08.		

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Licensing

Finding 4

MSDE did not independently review and approve all initial applications for educator licenses and related support to ensure the applicant met all required qualifications.

We recommend that MSDE independently review and approve all initial applications and related supporting documentation to ensure the applicants meet all required qualifications.

Agency Response	
Analysis	Factually Accurate
Please provide additional comments as deemed necessary.	The analysis is factually accurate; however, it is important to note that the audit of licensure records did not identify any instance in which a license was issued in error by an MSDE licensure specialist or an LEA licensure partner. The analysis cited the number of “initial applications” as 6,573; however, the recommendation appears to require the MSDE to perform an independent review for each license issued for the first time to an educator. This must take into account the initial issuance of each of the following licenses: Conditional, Initial Professional, Professional, and Advanced Professional. Because educators advance to the next level of licensure through the <i>Renewal/Advancement Application</i>, as opposed to submitting another <i>Initial Application</i>, this figure significantly understates the total number of first-time licenses issued during the period reviewed. In assessing the operational impact of this recommendation, MSDE must account for the total number of applications reviewed, rather than only those approved and issued, as each application requires the same level of review regardless of outcome. From July 1, 2024, through June 30, 2025, MSDE licensure specialists and LEA licensure partners received 38,929 applications, including Initial, Renewal/Advancement, Endorsement, and Removal of Endorsement applications. Of these, MSDE licensure specialists processed 10,280 applications. During the same period, MSDE licensure staff completed an additional 1,661 educator name-change and licensure verification requests.

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	During this timeframe, 33,230 Initial and Renewal/Advancement applications were processed by MSDE licensure specialists and LEA licensure partners. Of these, 26,824 were approved and resulted in a license being issued. Of the approved applications, 19,916 were processed through the Renewal/Advancement pathway; however, MSDE is unable to distinguish renewals from advancements within this subset. As a result, it is unclear how many Renewal/Advancement applications led to the initial issuance of a license. During this period, MSDE employed five licensure specialists. Collectively, these specialists reviewed 10,280 applications across all application types. Assuming each specialist worked 2,080 hours annually and that workload was evenly distributed, this equates to approximately one application reviewed per hour. Licensure specialists also perform additional statutory and operational duties, including responding to public inquiries, providing technical assistance to LEAs and schools, supporting LEA licensure partners, and delivering statewide training. Based on the volume of Initial and Renewal/Advancement applications processed (33,230) during the period reviewed, MSDE would require 16 licensure specialists, 10 additional grade 22 Education Specialist I positions, to implement a mandatory secondary review while maintaining the current service level agreement of a 6–8 week processing timeframe. This estimate assumes that a secondary review would double the review workload, that per specialist productivity remains constant, and that existing service level expectations must be maintained.		
Recommendation 4	Disagree	Estimated Completion Date:	6/30/2026
Please provide details of corrective action or explain disagreement.	All FY2025 initial licensure applications submitted were reviewed by an extensively trained LEA credentialing authorized partner (“designee”) or by an MSDE licensing specialist to ensure that the applicants meet all regulatory requirements for licensure. MSDE performed an independent review of 1% of all approved FY2025 applications. MSDE will develop policies and procedures to document the 1% independent review process and consider modification of the scope as resources become available.		

Auditor’s Comment: MSDE disagrees with the recommendation and notes that the finding analysis understates the number of first-time licenses issued during the

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period reviewed. However, the analysis specifically identifies initial applications as this is the first time applicant information is subject to unilateral review and approval by a licensing specialist.

In addition, MSDE disagrees with the recommendation because all FY2025 initial licensure applications submitted were reviewed by an extensively trained LEA credentialing authorized partner or by an MSDE licensing specialist, and because MSDE performs an independent review of 1 percent of all approved FY2025 applications. However, without an independent review of a sufficient number of applications, MSDE lacks assurance that licensing determinations are proper and adequately supported. As a result, we continue to believe that the analysis is accurate and the recommendation is valid.

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Blueprint Prekindergarten Funding

Finding 5

MSDE did not verify the accuracy of LEAs' eligibility determinations for prekindergarten students funded through Blueprint.

We recommend that MSDE establish procedures to review documentation to ensure the accuracy of eligibility determinations made by LEAs for prekindergarten funding.

Agency Response			
Analysis	Factually Accurate		
Please provide additional comments as deemed necessary.			
Recommendation 5	Agree	Estimated Completion Date:	Completed
Please provide details of corrective action or explain disagreement.	MSDE agrees with the recommendation. Commencing with the State Aid Audit performed during FY2025, procedures for testing income eligibility determination was performed; however, documentation of this procedure was not complete. Commencing with the FY2026 State Aid Audit Cycle, the State Aid Audit Program which contains the audit procedures has been revised to require complete documentation regarding the testing performed for income eligibility determination. This was implemented for LEAs audited starting FY2026.		

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Information Systems Security and Control

The Office of Legislative Audits (OLA) has determined that the Information Systems Security and Control section, including Findings 6 and 7 related to “cybersecurity,” as defined by the State Finance and Procurement Article, Section 3.5-301(c) 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 MSDE’s responses, have been redacted from this report copy, MSDE’s responses indicated agreement with the findings and related recommendations.

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.

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Federal Funds

Finding 8

MSDE did not request federal funds timely resulting in lost investment income totaling at least \$3.6 million.

We recommend that MSDE

- a. submit federal fund reimbursement requests timely as permitted under federal guidelines, and**
- b. determine the outstanding balance of expenditures that have not been reimbursed by the federal government and take all available actions to promptly obtain these funds.**

Agency Response	
Analysis	Factually Accurate
Please provide additional comments as deemed necessary.	Regarding the ‘<u>Potential Inability to Recover Federal Funds</u>’ portion of <u>Finding 8</u> and the ‘<u>Federal Funds for COVID-19 Grants</u>’ portion of the <u>Background</u> section, MSDE is providing the following additional information so that the reader of the report has a more comprehensive understanding of the efforts made by the Agency to recover COVID-19 funds from the Federal government. The US Department of Education (USED), in February 2025, rescinded all previously approved liquidation extensions and revised the reimbursement process for COVID funds. At that time, MSDE had submitted reimbursement for \$193 million. MSDE revised its requests for extension and reimbursement multiple times due to changing requirements and guidance. At that time, MSDE resubmitted its reimbursement requests and has revised and resubmitted the requests at total eight times to clarify the requests at USED’s request. Since April 2025, MSDE has been engaged in multi-prong efforts in recovering the COVID-19 grants from the federal government. These included direct engagement with the USED, participating in a multi-state coalition lawsuit against the federal government and engaging Maryland’s congressional delegations to impress upon the USED the importance of timely reimbursement. In June 2025, the USED reversed the decision to end the extended liquidation period and restored the original liquidation period of March 31, 2026. However, due to the continued layoffs and attrition within the USED as well as the federal government shutdown,

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	the reimbursement process did not progress as quickly as anticipated. As of December 15, 2025, MSDE has been reimbursed for three of the five programs, receiving \$4 million. On December 18, 2025, the USED approved \$101,123,037.12 in ARP ESSER III reimbursements. On December 22, 2025, the USED approved \$520,670 in ARP-HCY reimbursements. The reimbursements received from August 21, 2025 through January 7, 2026 total \$105,679,649. MSDE is currently working on recovering \$87,451,314 in CRRSAA (ESSER II) funds. MSDE is working with the Department of Budget and Management (DBM) to begin reimbursing the LEAs for any additional ESSER III expenditures incurred by them and liquidate the remaining funds (nearly \$44 million) by the extended liquidation deadline of March 31, 2026. As part of the corrective action plan for the 2023 and 2024 closeout audits, MSDE temporarily paused the federal fund draw process in order to reconcile overdrawn grants. At the same time, MSDE reviewed and revised its federal fund draw policy and procedures. Additionally, MSDE made significant operational changes. A new Deputy Chief Financial Officer (CFO) position for fiscal services was established with the key responsibility to address the fiscal issues facing the Department. Key priorities were filling vacant positions with highly capable staff, reviewing and revising, as necessary, all policies and processes for the fiscal team, and ensuring all fiscal staff are properly trained on the policies and procedures. The impact of these efforts is identified in the progress statements below.		
Recommendation 8a	Agree	Estimated Completion Date:	Completed
Please provide details of corrective action or explain disagreement.	MSDE agrees with the recommendation. MSDE staff reviewed and revised appropriate policies and procedures regarding the federal fund draw process. The revised policies include the tools necessary to evaluate expenditures against the federal award and revenue received to date, and to allocate revenue to the appropriate grant and grant phase in FMIS once the revenue is received. The revised process has been in effect since fall 2025. MSDE completes the federal draw process for all grants at least twice per month. For federal grants that fund positions, the draw process can occur three times per month, once for each payroll and once for subgrant expenditures.		
Recommendation 8b	Agree	Estimated Completion Date:	Completed

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Please provide details of corrective action or explain disagreement.	MSDE agrees with the recommendation. MSDE staff spent the last two years reconciling federal grant funds to ensure accurate draw down amounts as well as correct allocation of federal revenue. This work resulted in the revised policy and procedures mentioned in the response to recommendation 8a. As part of this work, all federal grants received by the department were reviewed and all available federal funds were drawn down. As mentioned in the response to 8a, federal grant expenditures are reviewed at least twice per month as part of the revised federal draw process.
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Year-End Closing Entries

Finding 9

MSDE could not provide documentation to support the propriety of accrued federal fund revenue entries or the subsequent recovery of the funds.

We recommend that MSDE

- a. ensure that all accrued federal fund revenue entries are properly supported, as required by GAD policies;**
- b. analyze the receivable balances to determine the collectability of any deficit balances; and**
- c. properly report any amounts determined to be uncollectable and work with the Department of Budget and Management to resolve any related deficits.**

Agency Response			
Analysis	Factually Accurate		
Please provide additional comments as deemed necessary.	This is a finding from the 2023 and 2024 closeout audits. The corrective action plan for the 2024 closeout audit has been implemented. MSDE reviewed the accrual practices to identify gaps that needed to be addressed. MSDE revised its practice to ensure revenue is accrued at the appropriation and grant level to avoid discrepancies. MSDE has also established processes for ensuring detailed backup documentation supporting each accrual is retained.		
Recommendation 9a	Agree	Estimated Completion Date:	Completed
Please provide details of corrective action or explain disagreement.	MSDE agrees with the recommendation. This is a finding from the 2023 and 2024 closeout audits. The corrective action plan for the 2024 closeout audit has been implemented. For the FY 2025 close, MSDE accrued revenue at both the appropriation and PCA levels, with identification at the FMIS grant level, consistent with the corrective action plan. MSDE provided full supporting documentation for the sample requested during the OLA fiscal year 2025 closeout audit for total accrual, including: • Revenue and Expenditure Cognos reports highlighting the balances accrued. • FY 2025 cash expenditure and accrued expenditure reports that matched the FMIS screen.		

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	66-screen report at the grant level. - DAFR 9090 reports at both the grant and appropriation levels. - Treasury report showing the subsequent receipt of these balances in FY 2026.		
Recommendation 9b	Agree	Estimated Completion Date:	Completed
Please provide details of corrective action or explain disagreement.	MSDE agrees with the recommendation. This is a finding from the 2023 and 2024 closeout audits. The corrective action plan for the 2024 closeout audit has been implemented. MSDE's review of receivables were categorized into two areas – those that should be sent to CCU and those that should be included as a write off. Reminder letters were sent to all receivable accounts from fiscal 2023 onwards. Those deemed not recoverable, i.e. unable to establish contact, were sent to CCU. In addition, all receivables between 2000 and 2021 were included in a write-off request. The Department found available indirect cost funds to cover the amount in the write-off request.		
Recommendation 9c	Agree	Estimated Completion Date:	12/15/2025
Please provide details of corrective action or explain disagreement.	MSDE agrees with the recommendation. MSDE's review of receivables were categorized into two areas – those that should be sent to CCU and those that should be included as a write off. Reminder letters were sent to all receivable accounts from fiscal 2023 onwards. Those deemed not recoverable, i.e. unable to establish contact, were sent to CCU. In addition, all receivables between 2000 and 2021 were included in a write-off request. The Department found available indirect cost funds to cover the amount in the write-off request.		

Auditor's Comment: While MSDE agrees with the recommendations, it notes that this is a finding from the 2023 and 2024 closeout audits. It further notes that MSDE provided full supporting documentation for the sample requested during the OLA fiscal year 2025 closeout audit however, as noted in the *Statewide Review of Budget Closeout Transactions for Fiscal Year 2025*, dated December 18, 2025, MSDE could not provide documentation to support the propriety of accrued federal fund revenue entries totaling \$176 million or the subsequent recovery of certain of these funds.

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Technical Assistance Grants and Contracts

Finding 10

MSDE awarded certain grants and contracts totaling \$1.2 million without a competitive process and could not always support that the related deliverables were received.

We recommend that MSDE

- a. competitively procure services in accordance with MSDE's *Grant Justification Guidance* and State procurement regulations;
- b. adequately document the scope of services and deliverables to be provided under each agreement;
- c. obtain adequate documentation to support that related services and deliverables are completed prior to payment; and
- d. in conjunction with legal counsel, consider the recovery of funds previously paid for unsupported services, to the extent practicable.

Agency Response			
Analysis	Factually Accurate		
Please provide additional comments as deemed necessary.			
Recommendation 10a	Agree	Estimated Completion Date:	3/31/2026
Please provide details of corrective action or explain disagreement.	MSDE agrees with the recommendation. MSDE follows the State of Maryland procurement guidelines as well as best practices recommended in chapter 4.1 of the procurement manual (to competitively procure goods and services using the allowable procurement vehicles such as Request for Quote (RFQ), Request for Proposals (RFP), Intergovernmental Cooperative Purchase Agreement (ICPA) and Invitation for Bid (IFB). The contract awards are approved by appropriate authority with any contract award over \$200,000 requiring the Board of Public Works (BPW) approval. On rare occasions, MSDE, like other state agencies, awards sole source contracts with appropriate justification. MSDE will continue to ensure that sole source awards are rare, necessary and properly justified. MSDE has implemented a process (MSDE Delegated Procurement and Contracting Authority) that sole source awards over \$50,000 will require approval from the head of the agency.		

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	In addition, MSDE will competitively procure services in accordance with MSDE's <i>Grant Justification Guidance</i>. However, MSDE will review with the Attorney General's Office the appropriateness of this guidance. Finally, the Maryland Office of the Inspector General for Education (OIGE) performed an investigation regarding a complaint alleging that a no bid contract was awarded by MSDE outside of the State's procurement process. The OIGE's investigation did not substantiate the allegation.		
Recommendation 10b	Agree	Estimated Completion Date:	2/28/2026
Please provide details of corrective action or explain disagreement.	MSDE agrees with the recommendation. When MSDE awards a contract and enters into contract agreements, the scope of work and deliverables are documented in the contract in consultation with the program specialists within the Department as recommended in chapter 4.1.3 – 4.1.5 of the State procurement manual. In addition, MSDE will update the procurement checklist that accompanies each procurement file to ensure that the MSDE Director of Procurement signs off that appropriate scope of services and deliverables have been included in the contract.		
Recommendation 10c	Agree	Estimated Completion Date:	3/31/2026
Please provide details of corrective action or explain disagreement.	MSDE agrees with the recommendation. MSDE follows the payment process recommendations established in chapter 8.3 of the State procurement manual (to ensure accurate invoices and appropriate documentation is received). In addition, the Agency follows invoice requirements specified by chapter 3.1.5 of the State of Maryland Accounting Procedures Manual for the Use of State Agencies. MSDE will establish an invoice processing Standard Operating Procedures (SOP) by March 31, 2026. This will be communicated to staff responsible for contract management and payment processing. The SOP will be shared with the internal MSDE staff at the beginning of each new contract kick off.		
Recommendation 10d	Agree	Estimated Completion Date:	6/30/2026

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Please provide details of corrective action or explain disagreement.	MSDE agrees with the recommendation. Regarding the cited contract and grant, the individuals who had the lead and worked with the two vendors are no longer employed by the Department and does not have access to them. This lack of staff makes it difficult to review paid invoices and align them to the deliverables contained in their Statement of Work. However, MSDE will work with our legal counsel to determine appropriate next steps and actions. In the future, payment to vendors who have been awarded a grant or contract will be based on submission of evidence of work completion aligned with the Statement of Work, prior to reimbursement.
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21st Century Community Learning Centers Grants

Finding 11

MSDE did not always process 21st Century Community Learning Centers (CCLC) grant reimbursement requests timely including 15 payments totaling approximately \$389,000 that were paid between 106 and 332 days after receipt of the invoice.

We recommend that MSDE process CCLC grant reimbursements within 60 days as required by its grant application.

Agency Response	
Analysis	Not Factually Accurate
Please provide additional comments as deemed necessary.	Respectfully, MSDE would like to provide comments regarding a few inaccuracies and information which would provide a better understanding of the 21st Century Community Learning Center grant reimbursement process. Given the submission of a timely, complete, and compliant invoice, identified as “<u>approvable</u>,” MSDE remains committed to upholding the approximate six to eight weeks payment-processing timeline as stated in the original grant application. An “<u>approvable</u>” invoice means that the subgrantee has submitted an invoice in compliance with MSDE’s “Reimbursable Invoice Procedures” which have been provided to 21st Century Community Learning Center (21st CCLC) grantees. Also, historically MSDE has provided real time support to 21st CCLC grantees regarding these procedures including several conferences and training sessions throughout the year. However, despite these efforts, many reimbursement requests received from 21st CCLC grantees do not comply with MSDE’s “Reimbursable Invoice Procedures” and therefore resulted in untimely payments. Therefore, the statement that “While some of these delays <u>may be due</u> to untimely submission of an invoice” is incorrect as the failure of 21st CCLC grantees to comply with required invoice procedures <u>is a key cause of untimely payments</u>. The criteria utilized in this Finding to determine whether a Reimbursement Request was processed timely was based upon the

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	number of days between when the last month the service was delivered and the payment date. The date-of-service utilized does not demonstrate that costs were paid or that adequate documentation exists. This model does not account for invoices that were submitted several months late or multiple months of invoices being submitted at one time. Subgrantees are required to submit monthly invoices on the 15th of each month for expenses that occurred during the preceding month. The date-of-service model does not incorporate the time required to complete corrective action reviews needed to produce sufficient evidence for payment approval. For example, if an invoice was sent for corrective action, the date of service remained unchanged in the model that was used. This process generally inflates the number of days in determining whether the 60 day criteria is met. MSDE recomputed the number of days between the date when an “<u>approvable</u>” invoice was received and the payment date and determined that 14 of the cited 15 untimely payments were actually made within the 60-day criteria. Finally, to ensure timely payment of 21st CCLC reimbursement requests, Terms and Conditions #8 & #9 in the “Additional Information” section of 21st CCLC Notice of Grant Awards states: “No payments shall be made to the grantee if reporting requirements are not met. Meeting reporting requirements entails submitting an <u>approvable</u> report to MSDE by the due date. Delinquent submission of reports could jeopardize receiving full funding against this grant” and “The grantee shall request payment and provide a monthly reimbursement cover sheet with documentation to support expenses no later than the 15th of each month.” Furthermore, the signature of the 21st CCLC grantee on the Recipient Grant Assurances page of the grant signifies that they will comply with all the terms and conditions of their grant.		
Recommendation 11	Agree	Estimated Completion Date:	On-going
Please provide details of corrective action or explain disagreement.	MSDE agrees with the recommendation. To ensure that grant reimbursements are made within 60 days from the date of an “<u>approvable</u>” invoice is received, the following actions have been taken. • The filling of the Fiscal Compliance Specialist position which is responsible for reimbursement processing.		

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	• The 21st CCLC team has been expanded to include three additional contractual fiscal full-time positions dedicated to invoice evidence review and payment processing. A specific role has been assigned to monitor the invoice pipeline to assist within internal organization, timely processing, and efficient closeout. • MSDE has established structured submission schedules, standardized review checklists, and communication protocols with subrecipients to reduce delays while upholding compliance. • The 21st CCLC team continues to work on enhancing the reimbursement cycle through clearer guidance to subgrantees, expanded training on documentation standards, and technology solutions for faster evidence review. • MSDE has deployed integrated reporting systems to align bookkeeping between subgrantees and MSDE helping to expedite evidence review and payment issuance. • Efforts are underway to fill the Extended Learning Specialist (ELS) position that provides programmatic and fiscal support to subgrantees. • MSDE has implemented and will continue refining a partial payment model. This model allows reasonable monthly expenditures to be reimbursed while individual line items requiring additional substantiation can be addressed separately through subsequent partial payments. This approach expedites cash flow to subgrantees.
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Auditor's Comment: While MSDE agrees with the recommendation, it notes that our analysis is factually inaccurate because the date-of-service utilized as the criteria to determine whether the Reimbursement Request was processed timely does not demonstrate that costs were paid or that adequate documentation exists. However, the analysis acknowledges that some of these delays may be due to untimely submission of an acceptable invoice by the grantee. In addition, our test disclosed that 4 of the 15 grantee reimbursement requests were misplaced by MSDE resulting in the payments being made 178 to 288 days after the original reimbursement request. Documentation to support MSDE's computation was not provided. Therefore, we continue to believe that the analysis is accurate and the recommendation is valid based on the information provided by MSDE at the time of our review.

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