Financial Management Practices Audit Report

Harford County Public Schools

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

August 25, 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 conducted an audit of the financial management practices of the Harford County Public Schools (HCPS) 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 HCPS' 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 HCPS did not publish contract awards on *eMaryland Marketplace Advantage* as required by State law and instead posted a link to the awards listed on their website. In addition, HCPS did not execute written contracts and did not obtain approval from the Harford County Board of Education for special education services. Our audit also disclosed that HCPS' equipment policies were not comprehensive, detail records were incomplete, and physical inventories were not conducted. Similar conditions regarding equipment have been included but not corrected from prior reports dating back to 2008.

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(c), 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.

HCPS' response to this audit is included as an appendix to this report. Consistent with State law, we have redacted the elements of HCPS' 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 audit by HCPS.

Respectfully submitted,

Brian S. Tanen

Brian S. Tanen, CPA, CFE
Legislative Auditor

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Background Information

Statistical Overview

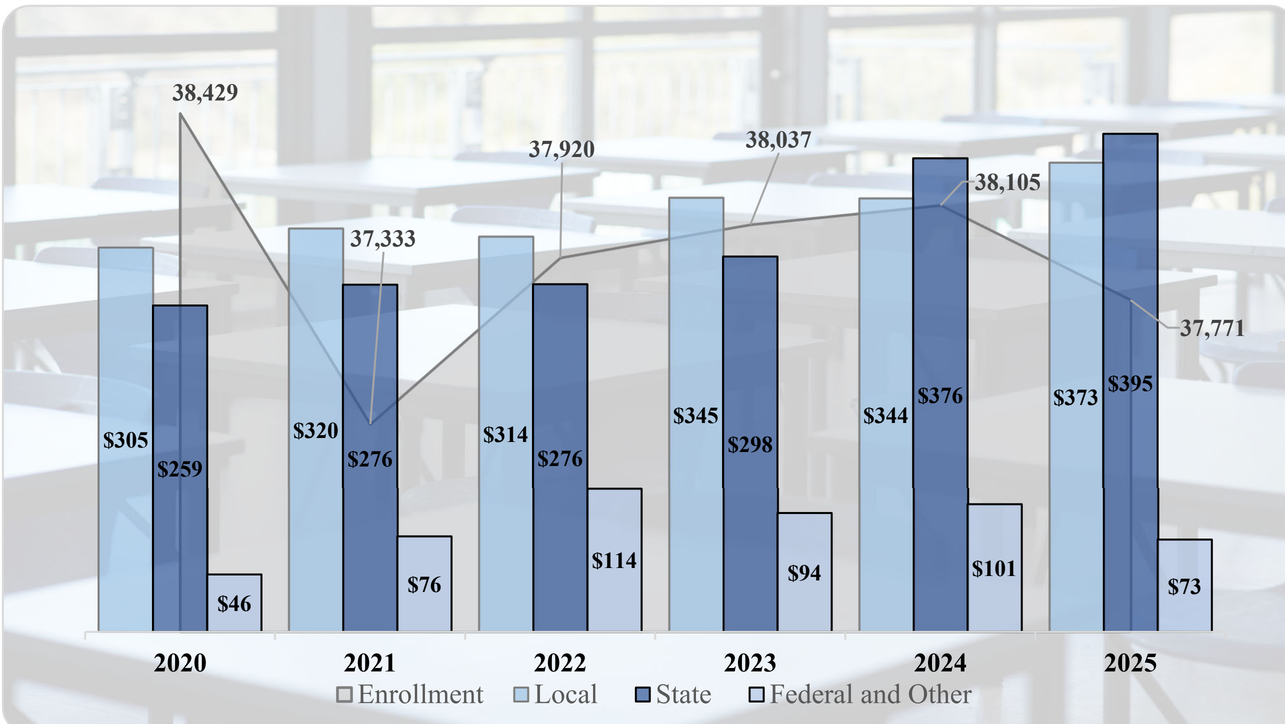
Enrollment

According to student enrollment records compiled by the Maryland State Department of Education (MSDE), Harford County Public Schools (HCPS) ranks 8th in student enrollment among the 24 public school systems in Maryland. Fiscal year 2025 full-time student enrollment was 37,771 students. HCPS had 52 schools, consisting of 33 elementary, 7 middle, 8 high schools, 2 middle/high schools, and 2 other types of schools (including special education and alternative).

Funding

HCPS revenues consist primarily of funds received from Harford County, the State, and federal government. According to the HCPS' audited financial statements, revenues from all sources totaled approximately $841.2 million in fiscal year 2025, including $395.4 million from the State. See Figure 1 for HCPS' enrollment and funding by source for the six-year period from fiscal year 2020 through fiscal year 2025. See Figure 2 for revenue sources per enrolled student in fiscal year 2025 according to its audited financial statements.

Figure 1
HCPS Enrollment and Funding by Source
Fiscal Years 2020 through 2025
(dollar amounts in millions)

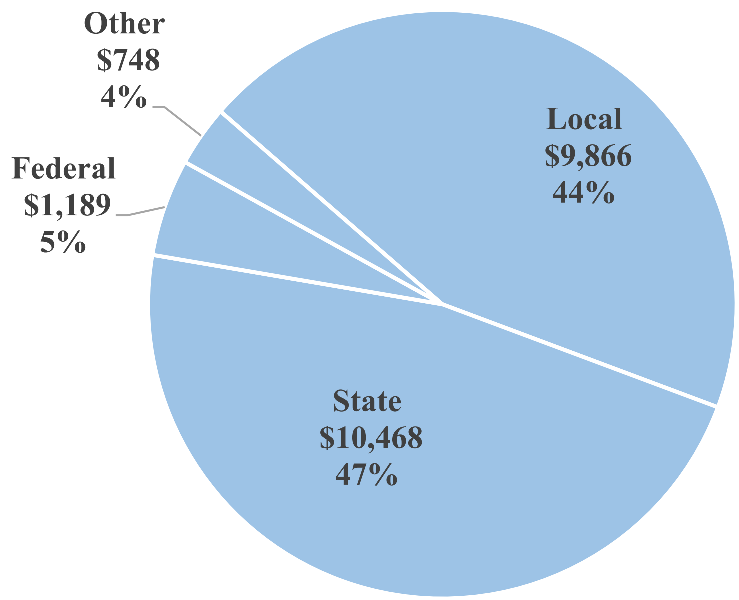


State funding for fiscal year 2025 included the following:

- $305.6 million for Foundation Formula Grants
- $39.5 million for Capital Projects
- $36.1 million for the State-share of employee pension costs
- $14.2 million for Other State Funding

Source: HCPS' Fiscal Year 2025 Audited Financial Statements and MSDE Data

Figure 2
HCPS Revenue Sources Per Enrolled Student
Fiscal Year 2025



Source: HCPS' Fiscal Year 2025 Audited Financial Statements and MSDE data

<u>Blueprint for Maryland's Future (Blueprint)</u>
Blueprint is a State-funded grant program based on recommendations of the Maryland Commission on Innovation and Excellence in Education.[1] 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.

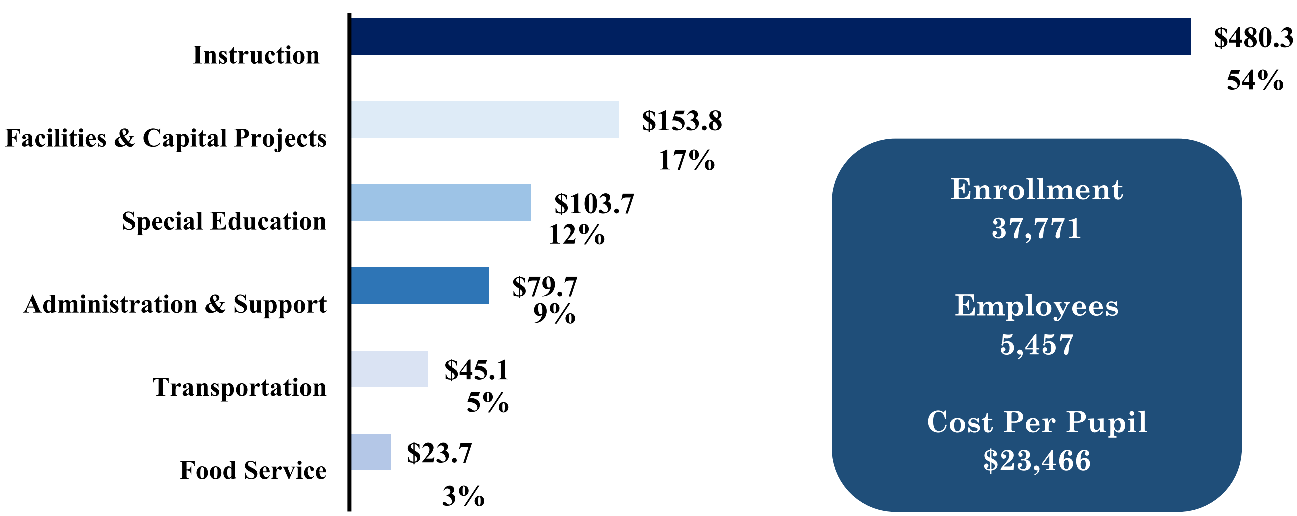
Blueprint allocates funding to schools based on a weighted-student formula. The funding formula provides resources to local education agencies based on the number of students enrolled at each school (known as Foundation Aid) and the characteristics of those students (such as, Special Education, Concentration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

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

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

Expenditures
According to HCPS' audited financial statements, fiscal year 2025 expenditures were approximately $886.3 million. The largest expenditure category was salaries and wages, including benefits, which accounted for approximately 69 percent of total expenditures during fiscal year 2025. According to MSDE records, during the 2024-2025 school year, HCPS had 5,457 full-time equivalent positions, which consisted of 4,017 instructional and 1,440 non-instructional. Instruction accounted for 54 percent of HCPS' expenditures on a categorical basis (see Figure 3).

Figure 3
HCPS Expenditures by Category and Selected Statistical Data
Fiscal Year 2025
(dollar amounts in millions)



Source: HCPS' Fiscal Year 2025 Audited Financial Statements and MSDE Data

Oversight

HCPS is governed by a local school board, consisting of six elected voting members, three appointed voting members, the county superintendent of schools, who is an ex officio non-voting member, and one elected voting student member. MSDE exercises considerable oversight of HCPS 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 HCPS to comply with the requirements and mandates of federal law. The Harford County government also exercises authority over HCPS primarily through the review and approval of HCPS' annual operating and capital budgets.

<u>Accountability and Implementation Board (AIB)</u>
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.

<u>Office of the Inspector General for Education (OIGE)</u>
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 two public reports related to HCPS reviews and investigations. We considered these reports during our current audit.

External Audits

As required by State law, HCPS 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 HCPS as of June 30, 2020, 2021, 2022, 2023, 2024, and 2025 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 HCPS' control over financial reporting and its tests of HCPS' 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 HCPS' 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 2020 through 2025. We examined the related work papers for the fiscal year 2025 financial statement audit and the fiscal year 2024 Single Audit, which were the latest available during our audit fieldwork. Our review did not note any deficiencies that warranted inclusion in this report. In addition, certain work of the independent certified public accounting firm, which we determined was reliable, covered areas included in the scope of our audit. As a result, we did not conduct any audit work related to the following areas:

- State and local government revenues received via electronic fund transfer
- Accounts receivable
- Federal grant activity

Cybersecurity Incident

In May 2026, a learning management system vendor used by HCPS suffered cybersecurity breaches and threats of data loss. HCPS student information listed on the platform included names, grades, and enrolled school. Due to the incident, on May 7, 2026, the platform was taken down and inaccessible. On May 11, 2026, the platform regained operational status and the vendor claimed to have reached an agreement with the parties responsible for the breach. HCPS is still investigating and assessing potential ramifications of the breach on its data including sensitive student information.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the twelve findings contained in the March 24, 2021 report. See Figure 4 for the results of our review.

Figure 4
Status of Preceding Findings

Preceding Finding	Finding Description	Implementation Status
Finding 1	HCPS procurement policies did not incorporate certain recognized best practices or requirements of State law when evaluating the merits of participation in intergovernmental cooperative purchasing agreements.	Not repeated
Finding 2	Certain transactions processed on its automated system were not subject to independent review and approval and verified to appropriate supporting documentation after being entered into the system.	Not repeated
Finding 3	HCPS did not ensure critical human resources and payroll transactions were independently reviewed for propriety.	Not repeated
Finding 4	HCPS' equipment policies were not comprehensive, detail records were incomplete, and physical inventories were not conducted.	**Repeated** (Current Finding 3)
Finding 5	Redacted cybersecurity-related finding.[2]	Status Redacted[2]

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

Figure 4 Status of Preceding Findings		
Preceding Finding	**Finding Description**	**Implementation Status**
Finding 6	Redacted cybersecurity-related finding.[3]	Status Redacted[3]
Finding 7	Redacted cybersecurity-related finding.[3]	Status Redacted[3]
Finding 8	Redacted cybersecurity-related finding.[3]	Status Redacted[3]
Finding 9	HCPS did not perform preventive maintenance in accordance with its Comprehensive Maintenance Plan.	Not repeated (Not followed up on)
Finding 10	Certain components of the payments to bus contractors could not be supported and included costs that should not have been reimbursed, resulting in higher payments than necessary for student transportation services.	Not repeated
Finding 11	HCPS did not independently verify manifest data entered into the transportation payments system and did not maintain support for payments made prior to fiscal year 2020.	Not repeated
Finding 12	HCPS did not audit or adequately verify the propriety of health care claims, insurance premiums and administrative fees paid to the third-party administrator, and the eligibility of enrolled dependents.	Not repeated

[3] The finding description as well as the implementation status of this cybersecurity-related finding has 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
Harford County Public Schools (HCPS) revenues consist primarily of funds received from Harford County, the State, and the federal government. According to HCPS' audited financial statements, revenues from all sources totaled approximately $841.2 million in fiscal year 2025, including approximately $395.4 million from the State.

External Audits
There were similarities between the work of the independent certified public accounting firm that audited HCPS' 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 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 2025, school activity collections totaled approximately $4.6 million and the June 30, 2025 fund balance was $2.7 million. Based on our assessment of the relative significance of this activity, we did not review the procedures and controls over these funds.

Conclusion
Based on our current assessment of significance and risk relative to our audit objectives, we relied on the work of the firm 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

HCPS 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 HCPS' Single Audit, fiscal year 2025 expenditures totaled $40.5 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 $26.1 million in fiscal year 2020 to $40.5 million in fiscal year 2025 (55 percent), due to COVID-19 pandemic grant funding. Specifically, according to HCPS' records, as of June 30, 2025, HCPS was awarded federal COVID-19 pandemic grant funds totaling $100.7 million to be distributed over fiscal years 2020 to 2024 under the Coronavirus Aid, Relief, and Economic Security Act, the Coronavirus Response and Relief Supplemental Appropriations Act, and the American Rescue Plan. According to HCPS records, expenditures from March 2020 to August 2025 related to these COVID-19 grants totaled $100.4 million. HCPS advised us that the remaining amount of the awarded grant funds would not be expended.

Single Audit Reports

There were similarities in the work performed by the Single Audit of HCPS' federal grants and the objectives of our audit in this area. In addition to expressing an opinion on HCPS 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 2020 through 2025. Our review of the Single Audits did not identify any issues that warranted inclusion in this report.

Medicaid Funds for Eligible Services

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

The Maryland State Department of Education's (MSDE) Interagency Medicaid Monitoring Team issued a report on February 28, 2025 of the results of its review of 70 student case files for 92 criteria. The report did not specifically address the propriety of Medicaid billing but overall concluded that HCPS was generally compliant with most criteria. For example, HCPS was 100 percent compliant with 78 criteria and from 80 to 99 percent compliant with 10 criteria.

According to audited financial statements, fiscal year 2025 state and federal reimbursements for Medicaid-subsidized services totaled approximately $6.3 million, which was a decrease of approximately $1.5 million 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
Based on our current assessment of significance and risk relative to our audit objectives, we relied on the work of 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 HCPS' records, disbursements (excluding payroll) totaled $270.7 million during fiscal year 2025. HCPS uses a financial management system for purchases and disbursements. Requisitions are created in the system by departments and are subject to online departmental approvals. Purchase orders are prepared in the system by the Procurement department based on approved requisitions. The Procurement department and Planning & Construction department handle the solicitation, bid evaluation, and establishment of contracts.

Invoices are submitted by a requestor directly into the financial management system before being forwarded to the requestor's supervisor and the appropriate school or department for approval, as necessary. Once approved, the Procurement department will initiate the purchase order to be generated by the financial management system and sent to the vendor for fulfillment. The system matches the invoice to the related purchase order then prints the vendor checks, which are manually reviewed by the Accounts Payable department, 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, and HCPS' *Procurement Manual* requires that procurements of contracts and agreements valued at

$100,000 or more be approved by the Harford County Board of Education (Board) and the Superintendent.

Finding 1
HCPS did not publish contract awards on *eMaryland Marketplace Advantage (eMMA)* as required by State procurement law.

Analysis
HCPS did not publish contract awards on *eMMA*[4] as required by State procurement law. State law requires the solicitation and award of contracts of $100,000[5] or more procured by public schools after July 1, 2022 to be published on *eMMA*. Our test of 12 contracts[6] procured during fiscal years 2023 through 2026 totaling $104.6 million (each over $100,000) disclosed that HCPS did not publish awards for any of the 12 contracts on *eMMA*, as required. Rather, HCPS' practice was to post a link on *eMMA* to the awards listed on their website. We were advised by management from the Department of General Services – Office of State Procurement management that this was not sufficient. Publishing awards on *eMMA* provides transparency over State procurements, including information about winning bidders and the amount of the related awards.

Recommendation 1
We recommend that HCPS publish contract awards on *eMMA* as required, including those noted above.

Finding 2
HCPS did not execute formal written contracts and did not obtain approval from the Board for certain special education services.

Analysis
HCPS did not execute formal written contracts or obtain approval from the Board for certain special education services. HCPS provides special education services in accordance with the individualized education program developed for each student. According to HCPS' records, it paid two Maryland State Department of Education (MSDE) certified non-public schools approximately $50.5 million for special education services between July 1, 2020 and May 29, 2026.

[4] *eMMA* is an Internet-based, interactive procurement system managed by the State of Maryland's Department of General Services.
[5] Between July 1, 2022 and September 30, 2023, the threshold for posting awards was $50,000.
[6] Test items were selected based on materiality.

Our review disclosed that HCPS did not obtain Board approval for the services from these entities as required by its *Procurement Manual* for contracts (including special education services) over $100,000 and did not have contracts with the non-public schools. Although not specifically required by its *Manual*, 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.

HCPS management advised us that it did not follow the *Manual* because MSDE certified the non-public schools that provided special education services and approved the rates of those services. However, there was no exemption for these services in HCPS' *Manual*, which as noted above does require Board approval. Furthermore, HCPS did not have the safeguards and controls provided by a contract.

Recommendation 2
We recommend that HCPS
a. modify its *Procurement Manual* to require formal written contracts for service contracts, including special education services; and
b. comply with its *Manual* by obtaining Board approval for special education services.

Human Resources and Payroll

Background

Payroll expense represents the largest single cost component in the HCPS budget. According to HCPS' records, fiscal year 2025 salary, wage, and benefit costs totaled approximately $615.6 million, representing 69 percent of total expenditures. According to MSDE reports, during the 2024-2025 school year, HCPS had 5,457 full-time equivalent positions, which consisted of 4,017 instructional and 1,440 non-instructional positions.

HCPS 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 HCPS' 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 HCPS' audited financial statements, the undepreciated value of its capital equipment inventory (furniture, fixtures, and equipment) totaled approximately $71.9 million as of June 30, 2025. HCPS 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 non-capitalized assets having a value of less than $5,000 is delegated to individual departments or schools. Accordingly, certain information technology items (desktops, laptops, tablets) are recorded on separate inventory records maintained by the school where the items are located. HCPS has established written equipment policies.

Finding 3
HCPS' equipment policies were not comprehensive, detail records were incomplete, and physical inventories were not conducted.

Analysis
HCPS' equipment policies did not establish system-wide standards for controlling capital and sensitive equipment. For example, there were no requirements for tagging equipment, performing physical inventories, and investigating lost and stolen items. Additionally, HCPS policies did not define or require recording of non-capitalized sensitive equipment items that would be prone to theft, such as technology equipment (for example, cameras and laptops). The Government Finance Officers Association recommends that an entity establish controls over non-capitalized equipment that is marketable and susceptible to theft.

Absent established system-wide standards, HCPS maintained informal, incomplete records of non-capitalized assets, which included certain types of sensitive items (such as desktops, laptops, and tablets) while excluding others (such as digital cameras or projectors). Furthermore, since it was not required, these records did not include the cost of the sensitive items or the purchase date. As of May 2026, HCPS' records listed approximately 53,000 non-capitalized devices with product name, model, serial number, and location information.

HCPS also did not perform periodic physical inventories of either capital or sensitive non-capitalized equipment to account for items recorded, and identify and investigate missing items. Our test of 10 sensitive equipment items recorded in HCPS records disclosed that all items existed and were located.[7]

Similar conditions were commented upon in our three preceding audit reports dating back to May 2008. HCPS' response to our prior report indicated that it would establish inventory policies and procedures to address accountability and controls over sensitive items. HCPS also indicated that the asset management systems used to track and account for assets does not track cost information and that the enterprise resource planning system does not contain cost information. Although HCPS established policies and procedures over certain information technology equipment, as noted above the policies and procedures did not address tagging equipment, maintaining complete records of sensitive non-capitalized assets, performing physical inventories, and investigating lost and stolen items.

Recommendation 3
We recommend that HCPS

a. **establish policies and procedures to ensure that accountability and control is maintained over its equipment inventory (recording and conducting periodic inventories), including certain sensitive non-capitalized items (repeat);**
b. **ensure that all sensitive equipment items, deemed subject to theft, are recorded in the detail records (repeat); and**
c. **conduct periodic physical inventories of equipment items, compare the results to the detail records, and investigate missing items (repeat).**

Information Technology

We determined that the Information Technology section, including Findings 4 and 5 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 HCPS' responses, have been redacted from this report copy.

[7] Test items were selected from a May 2026 inventory listing for all three device management systems utilized by HCPS.

Finding 4
Redacted cybersecurity-related finding.

Finding 5
Redacted cybersecurity-related finding.

Facilities Construction, Renovation, and Maintenance

Background
HCPS employs a staff of 441 employees to maintain its 52 schools and its other administrative and support offices. According to HCPS' fiscal year 2027 Capital Improvement Plan, necessary construction, major renovations, and systemic improvements to HCPS' facilities over the next six years are estimated to cost $236.9 million.

HCPS Capital Projects Were Competitively Solicited and Approved by the Board and Related Expenditures Were Generally Properly Supported
Our review of 6 construction-related procurements (selected based on materiality) awarded during fiscal years 2023 and 2024 totaling $91.6 million, disclosed that the related services were competitively procured. In addition, our test of 6 invoices totaling $5.6 million for these contracts disclosed that invoices were 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
HCPS has processes in place to promote ongoing facility maintenance and to minimize energy costs. Specifically, HCPS has written policies that encourage both students and employees to be aware of and limit their energy use, and monitors building energy on a centralized basis. HCPS also provides scheduled maintenance of its buildings and equipment with the goal of preventing emergency repairs. In addition, HCPS participates in a Baltimore regional cooperative and an Eastern Shore consortium to purchase energy at the best possible terms. Finally, HCPS also utilizes a vendor energy management program to monitor and control heating, air conditioning, and lighting usage and HCPS reviews utility billings to monitor related costs. According to documents provided by HCPS from its energy management vendor (which we did not audit), HCPS saved approximately $7.5 million through energy cost avoidance from calendar years 2021 to 2025.

Conclusion
Our audit did not disclose any significant deficiencies in the design or operation of HCPS' internal control over financial-related areas of operations for facilities construction, renovation 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, HCPS had approximately 33,481 students eligible to receive student transportation services during fiscal year 2025. These students were transported using 345 contractor-owned buses and 101 system-owned buses. HCPS reported that 7.4 million route miles were traveled to transport students for the 2024-2025 school year. According to HCPS' records, fiscal year 2025 transportation costs totaled approximately $45.1 million, of which $33.1 million (approximately 73 percent) were payments for contracted bus services for various costs.

Conclusion
Our audit did not disclose any reportable conditions in the transportation services area.

Food Services

Background
According to HCPS' audited financial statements, food services operating expenditures totaled $23.7 million in fiscal year 2025, and were primarily funded with federal and State funds totaling $15.4 million and food sales totaling $7.5 million. The federal funds are received from the United States Department of Agriculture based on an established rate per meals served. HCPS 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 HCPS' audited financial statements, the balance in HCPS' Food Services Fund totaled approximately $10.7 million as of June 30, 2025.

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 Board is composed of six elected voting members, three appointed voting members, the county superintendent of schools, who is an ex officio non-voting member, and one voting student member. The Board contracted with a certified public accounting firm to conduct independent audits of the HCPS financial statements and federal programs. To assist in its oversight of various areas of HCPS operations and governance, the Board established several committees, such as an Ethics Panel and a number of citizen advisory groups, which meet with the Board periodically and serve as channels for public concerns and information.

HCPS 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 HCPS employees and include provisions for conflicts of interest and financial disclosures by Board members and certain employees. Specifically, annual financial disclosure statements are required to be filed by Board members, candidates for the Board, the Superintendent, and other administrators (such as supervisors, directors, and school principals) by April 30th of each year.

In accordance with the policy, HCPS established an Ethics Panel consisting of five members appointed by the Board to interpret ethics policies and provide advice on policy implementation. The Panel also reviews and rules on any reported complaints of ethics violations. Our review of the records for Board members and HCPS employees required to submit financial disclosure forms for calendar year 2023 and 2024 disclosed that forms were generally submitted as required.

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

Management of Other Risks

Healthcare Background
HCPS is a member of the Harford County Public Entities Health Care Consortium for employee and retiree health care. The Consortium members are self-insured for healthcare costs up to a designated stop-loss amount ($400,000 per HCPS 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 HCPS 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 HCPS. HCPS pays its TPA an administrative fee for these services.

As of May 27, 2026, HCPS provided health insurance benefits to 16,716 enrolled employees, dependents, and retirees. According to the TPA's records for the plan year ended June 30, 2025, HCPS health care expenditures totaled approximately $104 million, including administrative fees totaling $2.5 million, and stop-loss insurance coverage totaling approximately $2.9 million.

Conclusion

Our audit did not disclose any reportable conditions in the management of other risks area.

Audit Scope, Objectives, and Methodology

We have conducted a performance audit of the Harford County Public Schools (HCPS). We conducted this audit under the authority of the State Government Article, Section 2-1220(e) of the Annotated Code of Maryland, which generally requires that every 6 years we audit each of the 24 local school systems to evaluate the effectiveness and efficiency of financial management practices. This performance audit was performed in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We had two broad audit objectives:

1. Evaluate whether the HCPS procedures and controls were effective in accounting for and safeguarding its assets.

2. Evaluate whether the HCPS policies provided for the efficient use of financial resources.

In planning and conducting our audit of HCPS, we focused on 11 major financial-related areas of operations as approved on December 6, 2016 by the Joint Audit and Evaluation Committee of the Maryland General Assembly in accordance with the enabling legislation. The 11 major financial-related areas included revenue and billing, federal funds, procurement and disbursements, human resources and payroll, equipment control, information technology security and control, facilities, transportation, food service, school board oversight, and the management of other risks (such as health care).

The scope of the work performed in each of these areas was based on our assessments of significance and risk. Therefore, our follow-up on the status of findings included in our preceding audit report on HCPS dated March 24, 2021 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 HCPS 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 HCPS. We also interviewed personnel at HCPS 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 HCPS 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, 2023 to December 31, 2025.

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 HCPS' 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 HCPS 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.

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

We conducted our fieldwork from January 2026 to June 2026. HCPS' 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 HCPS regarding the results of our review of its response.

HARFORD COUNTY
PUBLIC SCHOOLS

Dyann R. Mack, Ed.D., Superintendent of Schools
102 S. Hickory Avenue, Bel Air, Maryland 21014
Office: 410-838-7300 • www.hcps.org

APPENDIX

BUSINESS SERVICES
Deborah L. Judd, CPA, Chief Financial Officer
Deborah.Judd@hcps.org

August 24, 2026

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:

Please accept the attached Agency Response Form as the result of the Legislative Audit of Harford County Public Schools. We appreciate the collaboration during the audit and the opportunity to provide responses to your findings.

Please contact us with any questions.

Sincerely,

Deborah L. Judd
Chief Financial Officer

Harford County Public Schools

Agency Response Form

Procurements and Disbursement Cycle

Finding 1 **HCPS did not publish contract awards on *eMaryland Marketplace Advantage (eMMA)* as required by State procurement law.**

We recommend that HCPS publish contract awards on *eMMA* as required, including those noted above.

Agency Response			
Analysis	Factually Accurate		
Please provide additional comments as deemed necessary.	Clarification: HCPS did post a link to the HCPS website to access the award which simply does not align with the direct post to the website.		
Recommendation 1	Agree	**Estimated Completion Date:**	6/30/2027
Please provide details of corrective action or explain disagreement.	HCPS reviewed the vendors for the 12 awards reviewed. Since all were registered on eMMA, those contracts will be posted. Any new contracts awarded on or after 7/1/26 will be published to eMMA as well.		

Harford County Public Schools

Agency Response Form

Finding 2 **HCPS did not execute formal written contracts and did not obtain approval from the Board for certain special education services.**

We recommend that HCPS

a. modify its *Procurement Manual* to require formal written contracts for service contracts, including special education services; and

b. comply with its *Manual* by obtaining Board approval for special education services.

Agency Response			
Analysis	Factually accurate		
Please provide additional comments as deemed necessary.	This change has been actively in process since April 2026.		
Recommendation 2a	Agree	**Estimated Completion Date:**	06/30/2027
Please provide details of corrective action or explain disagreement.	HCPS will revise the Procurement Manual to include language stating that any contract with a value exceeding $50,000 must be executed through a written contract.		
Recommendation 2b	Agree	**Estimated Completion Date:**	06/30/2027
Please provide details of corrective action or explain disagreement.	HCPS is working to finalize contracts with our 31 non-public or private separate day school partners who provide Special Education services to HCPS students placed in more restrictive settings. After finalized, they will be taken to the Board of Education for approval.		

Harford County Public Schools

Agency Response Form

Equipment Control and Accountability

Finding 3 **HCPS' equipment policies were not comprehensive, detail records were incomplete, and physical inventories were not conducted.**

We recommend that HCPS

a. **establish policies and procedures to ensure that accountability and control is maintained over its equipment inventory (recording and conducting periodic inventories), including certain sensitive non-capitalized items (repeat);**
b. **ensure that all sensitive equipment items, deemed subject to theft, are recorded in the detail records (repeat); and**
c. **conduct periodic physical inventories of equipment items, compare the results to the detail records, and investigate missing items (repeat).**

Agency Response			
Analysis	Factually Accurate		
Please provide additional comments as deemed necessary.	HCPS provided information regarding practices of tracking non-capitalizable items. An updated policy will be established.		
Recommendation 3a	Agree	**Estimated Completion Date:**	6/30/2027
Please provide details of corrective action or explain disagreement.	HCPS will implement a policy and/or procedure to address these items.		
Recommendation 3b	Agree	**Estimated Completion Date:**	6/30/2027
Please provide details of corrective action or explain disagreement.	The procedure will address sensitive inventory items.		
Recommendation 3c	Agree	**Estimated Completion Date:**	6/30/2027
Please provide details of corrective action or explain disagreement.	The procedure will address acceptable periodic physical inventory processes.		

Harford County Public Schools

<u>Agency Response Form</u>

Information Technology

The Office of Legislative Audits (OLA) has determined that the Information Technology section, including Findings 4 and 5 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 HCPS' responses, have been redacted from this report copy, HCPS' responses indicated agreement with the findings and related recommendations.

Finding 4
Redacted cybersecurity-related finding.

Agency Response has been redacted by OLA.

Finding 5
Redacted cybersecurity-related finding.

Agency Response has been redacted by OLA.

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