

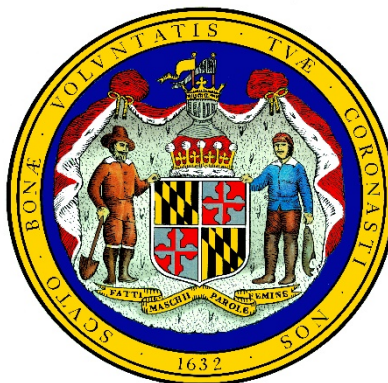
Financial Management Practices Audit Report

Kent County Public Schools

October 2025

Public Notice

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



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MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

October 30, 2025

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

Ladies and Gentlemen:

We conducted an audit of the financial management practices of the Kent County Public Schools (KCPS) 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 KCPS' 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 KCPS did not properly perform and document bid evaluations, resulting in a lack of assurance that three contracts tested totaling \$12.2 million were awarded to the most qualified vendor at the most advantageous price. Additionally, KCPS' *Procurement Procedures* did not incorporate certain requirements of State law and recognized best practices for participating in intergovernmental cooperative purchasing agreements. This condition was commented upon in our preceding audit report but not corrected. Furthermore, KCPS did not always obtain Board approval, execute written contracts, prepare written justifications, and publish contract awards on *eMaryland Marketplace Advantage* for sole source procurements.

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

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

Finally, our audit disclosed that KCPS did not ensure critical human resources and payroll transactions were independently reviewed for propriety and did not adequately monitor the performance of its third-party administrator that provides health care claims processing services. These conditions were identified in our two prior audits but not corrected.

KCPS' response to this audit is included as an appendix to this report. Consistent with State law, we have redacted the elements of KCPS' response related to the cybersecurity audit findings. We reviewed the response to our findings and related recommendations, and while KCPS generally agrees with the recommendations in this report, we identified certain instances in which statements in the response conflict with or disagree with the report findings. 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 KCPS' response to explain our position. We will advise the Joint Audit and Evaluation Committee of any outstanding issues that we cannot resolve with KCPS.

We wish to acknowledge the cooperation extended to us during the audit by KCPS.

Respectfully submitted,

Brian S. Tanen

Brian S. Tanen, CPA, CFE
Legislative Auditor

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

Background Information

Statistical Overview

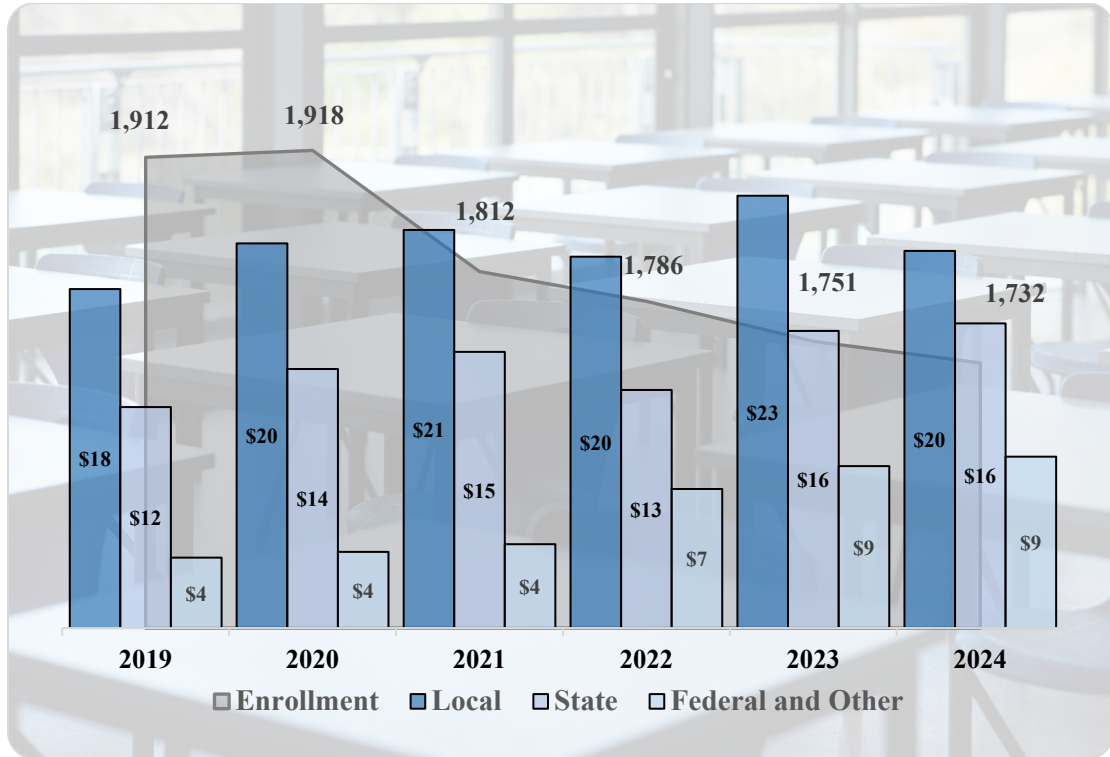
Enrollment

According to student enrollment records compiled by the Maryland State Department of Education (MSDE), Kent County Public Schools (KCPS) ranks 24th in student enrollment among the 24 public school systems in Maryland. Fiscal year 2024 full-time student enrollment was 1,732 students. KCPS had 5 schools, consisting of 3 elementary, 1 middle school, and 1 high school.

Funding

KCPS revenues consist primarily of funds received from Kent County, the State, and federal government. According to the KCPS' audited financial statements, revenues from all sources totaled approximately \$44.8 million in fiscal year 2024, including \$16 million from the State. See Figure 1 for KCPS' enrollment and funding by source for the six-year period from fiscal year 2019 through fiscal year 2024. See Figure 2 for revenue sources per enrolled student in fiscal year 2024 according to its audited financial statements.

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

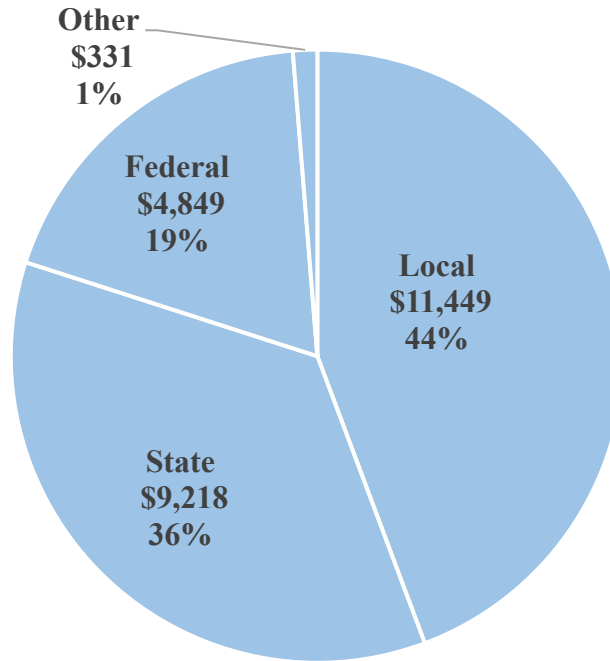


State funding for fiscal year 2024 included:

- \$11.1 million for Foundation Formula Grants
- \$1.6 million for the State-share of employee pension costs
- \$1.1 million for Capital Projects
- \$2.2 million for Other State funding

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

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



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

Blueprint for Maryland's Future (Blueprint)

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

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

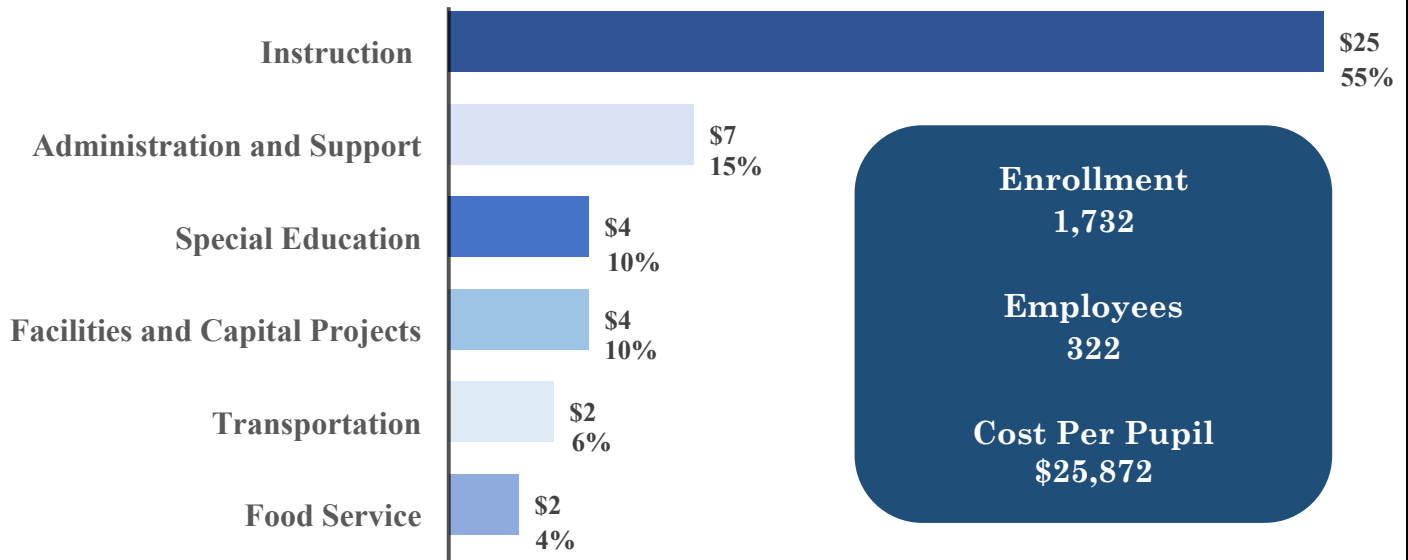
¹ The Maryland Commission on Innovation and Excellence in Education was established by Chapters 701 and 702, Laws of Maryland 2016, effective June 1, 2016 to review the adequacy of funding for education.

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

Expenditures

According to KCPS' audited financial statements, fiscal year 2024 expenditures were approximately \$44.8 million. The largest expenditure category was salaries and wages, including benefits, which accounted for approximately 80 percent of total expenditures during fiscal year 2024. According to MSDE records, during the 2023-2024 school year, KCPS had 322 full-time equivalent positions, which consisted of 221 instructional and 101 non-instructional positions. Instruction accounted for 55 percent of KCPS' expenditures on a categorical basis (see Figure 3).

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



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

Oversight

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

Accountability and Implementation Board (AIB)

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

Office of the Inspector General for Education (OIGE)

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

The OIGE initiates examinations and investigations based on its assessment of complaints and information it receives from various sources, including State and outside agencies and through its fraud, waste, and abuse hotline. The OIGE also conducts an annual review of local school systems to ensure policies and procedures governing the prevention and reporting of child abuse and neglect comply with applicable federal and State laws. During the period covered by our

review, the OIGE issued one public report related to KCPS reviews and investigations. We considered the report during our current audit.

External Audits

As required by State law, KCPS 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 KCPS as of June 30, 2019, 2020, 2021, 2022, 2023 and 2024, and the respective changes in its financial position and, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Additionally, in accordance with *Government Auditing Standards*, as part of the audited financial statements the accounting firm also issued separate reports on KCPS' control over financial reporting and its tests of KCPS' 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 KCPS' federal grant programs. The Single Audit is intended to provide assurance to the federal government that adequate internal controls are in place, and the entity is generally in compliance with program requirements.

We reviewed the aforementioned financial statement audits and Single Audit reports for fiscal years 2019 through 2024 and examined the related work papers for the fiscal year 2024 audits, which were the latest available during our audit fieldwork. Our review did not note any deficiencies that warranted inclusion in this report. In addition, certain work of the independent certified public accounting firm, which we determined was reliable, covered areas included in the scope of our audit. As a result, we did not conduct any audit work related to the following areas:

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

Cybersecurity Incident

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

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

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

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the seven findings contained in the July 6, 2020 report. See Figure 4 for the results of our review.

Figure 4 Status of Preceding Findings		
Preceding Finding	Finding Description	Implementation Status
Finding 1	Redacted cybersecurity-related finding. ²	Status Redacted ²
Finding 2	KCPS' procurement policies were not sufficiently comprehensive, as they did not incorporate certain best practices for consideration when evaluating possible participation in an intergovernmental cooperative purchasing agreement. In addition, KCPS did not obtain contract copies to verify invoice pricing.	Repeated (Current Finding 2)
Finding 3	KCPS did not ensure critical human resources and payroll transactions were independently reviewed for propriety, and salary increases were not always approved by the Board as required.	Repeated (Current Finding 4)
Finding 4	Redacted cybersecurity-related finding. ²	Status Redacted ²
Finding 5	Redacted cybersecurity-related finding. ²	Status Redacted ²
Finding 6	Financial disclosure statements were not filed or did not include all required information, and an ethics panel had not been established in accordance with KCPS' ethics policy.	Not repeated
Finding 7	KCPS did not ensure the propriety of employee and retiree health care claims paid and did not verify plan administrative fees were properly charged. In addition, KCPS did not obtain copies or Board approval of the annual third-party administrator administrative agreements.	Repeated (Current Finding 9)

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

Findings and Recommendations

Revenue and Billing Cycle

Background

Kent County Public Schools (KCPS) revenues consist primarily of funds received from Kent County, the State and the federal government. According to KCPS' audited financial statements, revenues from all sources totaled approximately \$44.8 million in fiscal year 2024, including \$16 million from the State.

External Audits

There were similarities between the work of the independent certified public accounting firm (CPA) that audited KCPS' financial statements and the objectives of our audit for certain revenue activities. As a result, we relied on this work to provide audit coverage for State and local government revenues received via electronic funds transfer and accounts receivable, for which the auditor's procedural review (related to the fiscal year 2024 audit) and testing disclosed no material weaknesses or significant deficiencies.

School Activity Funds

Schools collect funds for other purposes such as student activities, clubs, and school publications. Because they are not considered school revenue, these school activity funds are accounted for separately by each school and reported in summary in the audited financial statements. During fiscal year 2024, school activity collections totaled \$167,000 and the June 30, 2024 fund balance was \$197,000. Based on our assessment of the relative significance of this activity, we did not review the procedures and controls over these funds.

Conclusion

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

Federal Funds

Background

KCPS 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 KCPS' Single Audit, fiscal year 2024 (latest available at time of our audit) federal expenditures totaled \$8 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 \$3.5 million in fiscal year 2020 to \$8 million in fiscal year 2024 (128.5 percent), due to COVID-19 pandemic grant funding.

Specifically, according to KCPS' records, as of October 30, 2024, KCPS was awarded federal COVID-19 pandemic grant funds totaling \$15.8 million to be distributed over federal fiscal years 2020 to 2024 under Coronavirus Aid, Relief, and Economic Security Act, the Coronavirus Response and Relief Supplemental Appropriations Act, and the American Rescue Plan.

As of October 29, 2024, according to KCPS records, expenditures related to these COVID-19 grants totaled \$14.5 million, from January 2020 to October 2024 and were primarily comprised of staffing, instructional software and materials, and laptops. On March 28, 2025, the United States Department of Education (DOE) notified every State that it was ending the liquidation period for COVID-19 grants effective immediately. The DOE notification indicated that it would consider an extension to the liquidation period on an individual project specific basis. KCPS advised us that it had expended all funds as of March 28, 2025.

Single Audit Reports

There were similarities in the work performed by the independent CPA that conducted the Single Audit of KCPS' federal grants and the objectives of our audit in this area. In addition to expressing an opinion on KCPS compliance with the terms of several grant programs, the auditor also considered the existing internal control structure's impact on compliance and audited the required Schedule of Expenditures of Federal Awards (which includes claimed and reported grant expenditures) for fiscal years 2019 through 2024. Our review of the Single Audits did not identify any issues that warranted inclusion in this report.

Medicaid Funds for Eligible Services

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

Maryland State Department of Education's (MSDE's) Interagency Medicaid Monitoring Team issued a report in November 2024 of the results of its review of 35 student case files for 85 criteria. The report did not specifically address the propriety of Medicaid billing but overall concluded that KCPS was generally

compliant with most criteria. For example, KCPS was 100 percent compliant with 63 criteria and from 84 to 99 percent compliant with 13 criteria.

According to KCPS records, fiscal year 2024 state and federal reimbursements for Medicaid-subsidized services totaled approximately \$425,300, which was an increase of \$49,000 from the previous fiscal year. Based on our current assessment of significance and risk relative to our audit objectives, our audit did not include a review of Medicaid-subsidized services.

Conclusion

We relied on the work of the independent CPA that conducted the Single Audits for the work in the federal fund area, including policies, procedures, and controls with respect to federal grants and expenditures.

Procurement and Disbursement Cycle

Background

According to the audited financial statements and KCPS' records, disbursements (excluding payroll) totaled \$9.1 million during fiscal year 2024. KCPS uses a combination of manual and automated methods to process purchases and disbursements. Requisitions are manually created and approved by a supervisor in the requesting department. Approved requisitions are then entered into the financial management system and converted to purchase orders by the Finance Office, which also generally handles the solicitation, bid evaluation, and establishment of contracts.

Invoices are submitted by vendors to the requesting school or department for approval and then forwarded to the Finance Office, where they are manually matched to appropriate purchasing documents and verification of receipt. Once approved, the Finance Office enters the invoice into the financial management system. The system then prints vendor checks and 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 KCPS *Procurement Procedures* require that procurements of contracts and agreements valued at \$100,000 or more, be approved by the Kent County Board of Education (the Board).

Finding 1

KCPS did not properly perform and document bid evaluations resulting in a lack of assurance that three contracts tested totaling \$12.2 million were awarded to the most qualified vendor at the most advantageous price.

Analysis

KCPS did not properly perform and document bid evaluations resulting in a lack of assurance that contracts were awarded to the appropriate vendors. KCPS' *Procurement Procedures* provided for the award of contracts to the lowest responsible and responsive bidder that meet the requirements in the Invitation for Bid (IFB) and had the competency and ability to perform the service. We reviewed three competitively procured contract awards related to facility improvements or renovations (selected based on materiality) made during fiscal years 2020 to 2024, totaling \$12.2 million.

Our review disclosed that for all three contracts the evaluation committee members did not have a schedule listing each criteria in the IFB with comments or rankings by each of the members to justify the award. For example, the IFB for two contract awards required prospective vendors to demonstrate qualification to perform the service and have experience based on references of work performed on similar projects. KCPS did not maintain documentation that each member evaluated these criteria or the related impact it had on the award decisions. This lack of comprehensive documentation raises concerns with the propriety of one of the aforementioned tested contracts.

Specifically, KCPS awarded a \$7 million contract to replace the roof of a school to the vendor with the second lowest bid (\$508,600 more than the lowest bidder) because it received negative feedback from the lowest bidder's references. There was no documentation of how each member evaluated the criteria for this award in the IFB which included the results of the references, a requirement for 10 years of experience and certain certifications.

In this regard, our review disclosed that the support for the negative feedback consisted of an email from a KCPS employee summarizing a conversation with a reference that did not include the name of the individual providing the negative feedback or the nature of the project the vendor worked on. Furthermore, the vendor selected for the contract award did not have the required 10 years of experience or documentation that it was certified by the manufacturer as required by the IFB. There was no documentation to support whether the evaluation committee considered these items when making the award and as a result, there is a lack of assurance that the award was made to the most qualified vendor at the most advantageous price.

Recommendation 1

We recommend that KCPS

- a. establish procedures to document that each committee member's evaluation of vendor bids is consistent with the criteria established in the IFB; and**
- b. maintain detailed support for all information used during the bid evaluation, such as reference checks.**

Finding 2

Certain requirements of State law and recognized best practices were not incorporated into KCPS' written *Procurement Procedures* and were not consistently used when participating in intergovernmental cooperative purchasing agreements (ICPAs).

Analysis

Certain requirements of State law and recognized best practices were not incorporated into KCPS' written *Procurement Procedures* and were not consistently used by KCPS when participating in ICPAs.³ State law, which legal counsel to the Maryland General Assembly advised us is applicable to local education agencies, provides for the participation in an existing State or local contract, if the governing body of the entity determines that (a) participation would provide a cost savings in purchase price or administrative burden; or (b) further other policy goals including operational and energy–efficiency goals related to the purchase, operation, or maintenance of the supply or service.

Our review of KCPS' *Procurement Procedures* and purchasing manual disclosed that they did not include the above statutory requirements as well as the following critical best practices.

- Analyze all costs of conducting competitive solicitations;
- Research, compare, and evaluate available ICPAs;
- Verify ICPA has a clause allowing utilization by other parties;

³ Section 13-110 of the State Finance and Procurement Article of the Annotated Code of Maryland, in part, defines an ICPA as a contract that is entered into by at least one governmental entity in a certain manner, that is available for use by the governmental entity entering the contract and at least one additional governmental entity, and that is intended to promote efficiency and savings that can result from intergovernmental cooperative purchasing. The aforementioned law applies to all ICPAs regardless of the services, goods, or commodities purchased. In addition, Section 5-112(a)(3) of the Education Article of the Code, provides that local education agencies do not need to conduct competitive procurements for goods and commodities if they use a contract awarded by public agencies or intergovernmental purchasing organizations and the originating procuring agency followed public bidding procedures.

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

We could not obtain the total number or value of contracts awarded via ICPAs since KCPS did not capture this information. Based on our review of material payments to vendors, we identified six ICPAs during fiscal years 2022 through 2025, with spending totaling \$3.8 million between July 2022 and September 2024. Our test of these ICPAs disclosed that KCPS did not adhere to the statutory requirements and certain of the aforementioned best practices (for example, research, compare, and evaluate available ICPAs) for any of the ICPAs tested. We did find that other best practices were performed despite not being included in KCPS' policies. For example, KCPS verified that the ICPA solicitation was competitively bid and publicly advertised for four of the six ICPAs noted above.

The Institute for Public Procurement, formerly known as the National Institute of Government Purchasing, as well as other public and educational organizations have published ICPA best practices. These practices include comprehensive multi-step checklists that require actions included in the aforementioned list. Incorporating ICPA best practices into KCPS *Procurement Procedures* could help ensure they are consistently used.

Similar conditions regarding KCPS *Procurement Procedures* and documentation related to ICPAs were commented upon in our preceding audit report. In response to that report, KCPS stated it would implement our recommendations. However, as noted above, KCPS did not implement the corrective actions.

Recommendation 2

We recommend that KCPS

- incorporate the aforementioned statutory requirements and other identified and acknowledged best practices into its *Procurement Procedures* (repeat),**
- ensure that the performance of the requirements and best practices are documented when evaluating and participating in ICPAs (repeat), and**
- maintain a comprehensive list of all contracts awarded under an ICPA.**

Finding 3

KCPS did not always obtain Board approval, execute written contracts, prepare written justifications, and publish contract awards on *eMaryland Marketplace Advantage (eMMA)* for non-competitive procurements.

Analysis

KCPS did not always obtain Board approval, execute written contracts, prepare written justifications, for non-competitive procurements, and publish contract awards on *eMMA*.⁴ Our test of seven vendors to which KCPS had paid approximately \$3.3 million for various products and services such as special education and health services,⁵ disclosed the following:

- KCPS did not obtain Board approval for services received from any of these vendors, each of which exceeded \$100,000.
- KCPS did not execute written contracts for services from four of the vendors with payments totaling \$1.3 million.
- KCPS could not document either a competitive procurement process or provide written justification for a non-competitive procurement process for four of the vendors with payments totaling \$2.4 million.
- KCPS did not publish awards on *eMMA* as required for six of the vendors with payments totaling \$3.1 million.

KCPS' *Procurement Procedures* requires that contracts equal to or exceeding \$100,000 shall be reviewed and approved by the Board and have written justifications for sole source contracts. Additionally, State law requires the solicitation and award of contracts of \$100,000 or more (prior to October 1, 2023 the amount was \$50,000) procured by public schools after July 1, 2022 to be published on *eMMA*. Publishing contract awards on *eMMA* provides transparency over State procurements, including information about winning bidders and the amount of the related awards.

Recommendation 3

We recommend that KCPS comply with its *Procurement Procedures* and State law when procuring non-competitive contracts including
a. obtaining Board approval;

⁴ *eMMA* is an internet-based, interactive procurement system managed by the State of Maryland's Department of General Services.

⁵ Test items were selected based on procurement type and materiality. The related payments were made between July 2022 and September 2024.

- b. entering into written contracts;
- c. preparing written justifications; and
- d. publishing contract awards and procurement awards on *eMMA* as required, including those noted above.

Human Resources and Payroll

Background

Payroll expense represents the largest single cost component in the KCPS budget. According to KCPS' records, fiscal year 2024 salary, wage, and benefit costs totaled approximately \$35.7 million, representing 80 percent of total expenditures. According to MSDE reports, during the 2023-2024 school year, KCPS had 322 full-time equivalent positions, which consisted of 221 instructional and 101 non-instructional positions.

KCPS uses automated systems to maintain human resources information, record employee time, track employee leave usage, and process and record payroll transactions. One 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). A badge scanning system is used for most full-time employees to record employee time and create electronic bi-weekly timesheets for on-line supervisory approval, while manual timesheets are used for the remaining employees. A third system is used to track employee leave usage.

Finding 4

KCPS did not ensure critical human resources and payroll transactions were independently reviewed for propriety.

Analysis

KCPS did not ensure critical human resources and payroll transactions were independently reviewed for propriety. For example, KCPS did not use available system reports to perform independent documented reviews of new hires, other earnings transactions, and pay rate increases. Although a supervisory review was performed on a test basis to identify rate increases and new hires, the review was not independent and comprehensive. Specifically, the supervisor conducting the review could also process payroll adjustments (such as, other earnings) and did not review supporting documentation to verify the accuracy of the adjustments. Our test of 15 human resources and payroll transactions (selected based on materiality and various other factors including position classification and salary)

did not disclose any improper transactions. According to KCPS' records, salary increases totaled \$1.1 million in fiscal year 2024.

Similar conditions were noted in our two preceding audit reports dating back to May 2013. KCPS' response to our prior report indicated that any changes to bi-weekly payroll would be reviewed by a supervisor utilizing supporting documentation and that the process would be assessed to ensure separation of duties are implemented by January 2020. However, as noted above, the review was not performed by an independent employee and did not include supporting documentation.

Recommendation 4

We recommend that KCPS perform independent supervisory reviews of changes processed for the bi-weekly payroll, at least on a test basis, by agreeing changes to appropriate supporting documentation (repeat).

We advised KCPS on accomplishing the necessary separation of duties using existing personnel.

Equipment Control and Accountability

Background

According to KCPS' audited financial statements, the undepreciated value of its capital inventory (furniture, fixtures, vehicles, and equipment) totaled \$9.1 million as of June 30, 2024. KCPS maintains centralized automated records for all equipment with a cost of \$5,000 or more for financial statement purposes. In addition, KCPS' Office of Technology Services maintains an inventory database of all sensitive items such as laptop computers and other mobile equipment (such as tablets and video cameras), regardless of cost, assigned to schools, students, and employees. KCPS has established written equipment policies.

Finding 5

KCPS did not establish adequate accountability and control over its equipment.

Analysis

KCPS did not establish adequate accountability and control over its equipment. For example, our review disclosed that 83 percent of the 9,005 items on the KCPS inventory records as of March 2025 did not contain the location of the items including the school (17 percent) or the room number (66 percent) where the equipment was located. In addition, KCPS did not conduct any independent

annual physical inventories of its capital equipment during the audit period as required by *Board Procedures*. As a result, there was a lack of assurance that all equipment was properly accounted for.

Our test of 9 equipment items⁶ totaling \$6,900, disclosed that KCPS could not locate these items. KCPS advised us that it believed most of the equipment items over 10 years old had been recycled but could not provide us documentation such as a disposal form, to support this assertion.

Recommendation 5

We recommend that KCPS establish adequate controls over its equipment including maintaining comprehensive records and conducting periodic physical inventories.

Information Technology

We determined that the Information Technology section, including Findings 6 through 8 related to “cybersecurity,” as defined by the State Finance and Procurement Article, Section 3.5-301(b) of the Annotated Code of Maryland, and therefore are subject to redaction from the publicly available audit report in accordance with the State Government Article 2-1224(i). Consequently, the specifics of the following findings, including the analysis, related recommendations, along with KCPS’ responses, have been redacted from this report copy.

Finding 6
Redacted cybersecurity-related finding.

Finding 7
Redacted cybersecurity-related finding.

Finding 8
Redacted cybersecurity-related finding.

⁶ Test items were selected from KCPS inventory records as of March 2025 and were selected because they either did not have a location listed or were over 10 years old.

Facilities Construction, Renovation, and Maintenance

Background

KCPS employs a staff of 16 employees to maintain its five schools and a number of other facilities (such as administrative and support offices). According to KCPS' fiscal year 2026 Capital Improvement Plan, necessary construction, major renovations, and systemic improvements to KCPS' facilities over the next six years are estimated to cost \$23.9 million.

Our review of four construction-related procurements (selected based on materiality) awarded during fiscal years 2020 to 2024 totaling approximately \$12.5 million disclosed that one contract was not properly procured as an ICPA (this test item was included in Finding 2). In addition, our test of 11 invoices totaling \$4.4 million for these contracts, disclosed that the invoices were properly reviewed and approved, and the amounts invoiced were in accordance with the related contract terms.

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

KCPS has processes in place to promote ongoing facility maintenance and minimize energy costs. For example, KCPS provides preventative maintenance of its buildings and equipment with the goal of preventing emergency repairs. In addition, KCPS participates in a consortium with other Eastern Shore area entities to purchase energy at the best possible terms. According to consortium records (which we did not audit), KCPS saved approximately \$277,000 through energy cost avoidance from fiscal years 2016 to 2024. Also, KCPS reviews utility billings to monitor energy usage and related costs.

Conclusion

Our audit did not disclose any significant deficiencies in the design or operation of KCPS' 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, KCPS has approximately 1,478 students eligible to receive student transportation services during fiscal year 2024. These students were transported using 18 system-owned buses and 4 contractor-owned buses. KCPS reported that 594,800 route miles were traveled to transport

students for the 2023-2024 school year. According to KCPS' records, fiscal year 2024 transportation costs totaled approximately \$2.4 million.

Conclusion

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

Food Services

Background

According to KCPS' audited financial statements, food services operating expenditures totaled approximately \$1.7 million in fiscal year 2024, and were primarily funded with federal funds totaling \$1.5 million. The federal funds are received from the United States Department of Agriculture based on an established rate per meals served. KCPS 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 KCPS' audited financial statements, the balance in KCPS' Food and Nutrition Services Fund totaled \$260,700 as of June 30, 2024.

Conclusion

Based on our current assessment of significance and risk relative to our audit objectives, our audit did not include a review of policies, procedures, and controls related to Food Services financial area of operations.

School Board Oversight

Background

The Kent County Board of Education (the Board) is composed of five elected members and one non-voting student representative. The Board contracted with a certified public accounting firm to conduct independent audits of the KCPS financial statements and federal programs. To assist in its oversight of various areas of KCPS operation and governance, the Board has established several committees, such as an Ethics Panel and a Citizens Advisory Council, which is a structured group that provides advice to the Board on certain issues.

KCPS 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 KCPS employees and includes provisions for conflicts of interest

and financial disclosures by Board members and certain employees. Specifically, annual financial disclosure statements are required to be filed by Board members, candidates for the Board, appointed officials (such as the Superintendent), and other administrators (such as supervisors) by April 30th of each year.

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

Conclusion

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

Management of Other Risks

Healthcare Background

KCPS is a member of the Eastern Shore of Maryland Educational Consortium for employee and retiree health care. The Consortium members are self-insured for healthcare costs up to a designated stop-loss amount (\$175,000 per KCPS' 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 KCPS 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 KCPS. KCPS pays its TPA an administrative fee for these services.

As of June 2025, KCPS provided health insurance benefits to 837 enrolled employees, dependents, and retirees. According to the TPA's records for the plan year ended August 31, 2024, KCPS healthcare expenditures totaled approximately \$4.3 million, including administrative fees totaling \$140,000, and stop-loss insurance coverage totaling \$363,000.

Finding 9

KCPS did not adequately monitor its TPA to verify the propriety of amounts paid, compliance with performance measures, and the eligibility of enrolled dependents.

Analysis

KCPS did not adequately monitor the performance of its TPA to verify the propriety of amounts paid, compliance with performance measures and the eligibility of enrolled dependents.

- KCPS did not verify that administrative fees and monthly subscription fees billed by the TPA for medical coverage agreed with its payroll records for enrolled employees. In addition, the monthly premium rates charged (health plan cost per person) for the various medical coverage categories and stop-loss insurance were not verified for agreement with the related available contracts maintained on file. Our review, based on the listed participant counts on certain monthly invoices and the related contract rates, did not disclose significant variances.
- KCPS did not obtain support for the 2024 annual settlement paid to the TPA which totaled approximately \$184,500. In the year-end settlement process, the TPA compares the medical claims paid against the monthly subscription charges paid by KCPS to determine any excess amount due from or to be reimbursed. Our review disclosed that KCPS did not receive detailed claims data from the TPA to verify the propriety of the settlement amount.
- KCPS did not audit, or otherwise verify, the accuracy of TPA self-reported compliance with performance measures. The TPA healthcare contract included 18 performance measures relating to implementation, network maintenance, customer service, and claims processing. Additionally, the contract allowed for the assessment of penalties up to \$290,904 annually, if the TPA did not meet the performance measures. The medical TPA reported self-assessed penalties of \$8,432 in calendar year 2024 based on its reported compliance, but KCPS did not have a process to verify the TPA's reported compliance.
- KCPS did not maintain documentation that it verified the eligibility of enrolled dependents in its health plans, and did not perform an audit to ensure enrolled dependents were still eligible. Although KCPS advised that it requires employees to submit documentation (such as birth certificates) to add dependents onto their health care plan, KCPS did not retain this

documentation. Our test of 10 arbitrarily selected employees⁷ with dependent coverage disclosed that no documentation (such as birth and marriage certificates) was retained to support the eligibility of their 26 dependents.

A similar condition regarding the verification of administrative and monthly subscription fees, and the year-end settlement was commented upon in our two preceding audit reports dating back to May 2013. In its response to the prior report, KCPS indicated that it would verify enrolled employees in the payroll system and contract rates to ensure the accuracy of TPA invoices. Although KCPS obtained a claims audit in March 2023 to help ensure the propriety of claims payments in plan year 2022, KCPS did not implement other processes to determine the accuracy of TPA invoices, including fees and the year-end settlement.

Recommendation 9

We recommend that KCPS

- a. compare its records of enrolled employees to TPA invoices and contract rates to determine the propriety of related administrative fees and monthly subscription fees billed (repeat);**
- b. obtain documentation to support claim payments and any additional information on the end of year settlement (repeat);**
- c. establish a process to independently verify, at least annually, the TPA's compliance with required performance measures and assess penalties when performance goals are not met; and**
- d. maintain documentation to support the eligibility of dependents claimed by enrolled health care program participants.**

⁷ Test selection was made from all employees who were hired between June 2022 and July 2025.

Audit Scope, Objectives, and Methodology

We have conducted a performance audit of the Kent County Public Schools (KCPS). 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 KCPS procedures and controls were effective in accounting for and safeguarding its assets.
2. Evaluate whether the KCPS policies provided for the efficient use of financial resources.

In planning and conducting our audit of KCPS, 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 KCPS dated July 6, 2020, 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 KCPS 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 KCPS. We also interviewed personnel at KCPS 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 KCPS operations. We also tested transactions and performed other auditing procedures that we considered necessary to achieve our objectives, generally for the period from July 1, 2022 to September 30, 2024.

Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk, the timing or dollar amount of the transaction, or the significance of the transaction to the area of operation reviewed. As a matter of course, we do not normally use sampling in our tests, so unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, unless sampling is specifically indicated in a finding, the results from any tests conducted or disclosed by us cannot be used to project those results to the entire population from which the test items were selected. For certain areas within the scope of the audit, we relied on the work performed by the independent accounting firm that annually audits KCPS' 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 KCPS 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.

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

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

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

We conducted our fieldwork from September 2024 to August 2025. KCPS’ 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 KCPS regarding the results of our review of its response.

APPENDIX



Kent County Board of Education

Growing a Community of Leaders

Dr. Mary Boswell-McComas
Office of the Superintendent

October 29, 2025

Brian S. Tanen
Department of Legislative Services
Office of Legislative Audits
Maryland General Assembly
351 West Camden Street, Suite 400
Baltimore, MD 21201

Re: Kent County Public Schools OLA Audit Responses

Dear Mr. Tanen:

We are pleased to submit our Agency Response Form (ARF) to your organization for the recently concluded Kent County Public Schools OLA Audit. We have attached the required ARF to this Cover Letter.

It has been a pleasure working with your staff and we appreciate all the hard work that goes into performing these audits. Please let us know if you need any additional information from Kent County Public Schools.

Sincerely,

Dr. Mary Boswell-McComas

Dr. Mary Boswell-McComas
Superintendent of Schools

Enclosure

Kent County Public Schools

Agency Response Form

Procurement and Disbursement Cycle

Finding 1

KCPS did not properly perform and document bid evaluations resulting in a lack of assurance that three contracts tested totaling \$12.2 million were awarded to the most qualified vendor at the most advantageous price.

We recommend that KCPS

- a. establish procedures to document that each committee member's evaluation of vendor bids is consistent with the criteria established in the IFB; and
- b. maintain detailed support for all information used during the bid evaluation, such as reference checks.

Agency Response			
Analysis	Not Factually Accurate		
Please provide additional comments as deemed necessary.	KCPS does agree that additional documentation is needed moving forward in regards to the evaluation committee's discussions and reference checks, however, KCPS is fully confident that all bids tested were awarded to the most qualified vendor at the most advantageous price.		
Recommendation 1a	Agree	Estimated Completion Date:	3/1/26
Please provide details of corrective action or explain disagreement.	KCPS does agree to revise it's Purchasing Manual to better reflect the procedures required to document each committee member's evaluation of vendor bids and to ensure the evaluations are consistent with the criteria established in the IFB.		
Recommendation 1b	Agree	Estimated Completion Date:	3/1/26
Please provide details of corrective action or explain disagreement.	KCPS does agree to maintain detailed support for all information used during the bid evaluation, such as reference checks.		

Auditor's Comment: KCPS indicates that the analysis of this finding is not factually accurate because it is confident that all bids tested were awarded to the most qualified vendor at the most advantageous price. KCPS was unable to provide documentation to support this assertion; however, KCPS does agree to maintain such documentation going forward.

Kent County Public Schools

Agency Response Form

Finding 2

Certain requirements of State law and recognized best practices were not incorporated into KCPS' written *Procurement Procedures* and were not consistently used when participating in intergovernmental cooperative purchasing agreements (ICPAs).

We recommend that KCPS

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

Agency Response			
Analysis	Factually Accurate		
Please provide additional comments as deemed necessary.	KCPS agrees to review the written Procurement Procedures and make the necessary changes to better incorporate the standard practices in regards to ICPAs.		
Recommendation 2a	Agree	Estimated Completion Date:	2/1/26
Please provide details of corrective action or explain disagreement.	KCPS agrees to incorporate the aforementioned statutory requirements and other identified and acknowledged best practices into its procurement policies and ensure that the performance of the requirements and best practices are documented when evaluating and participating in ICPAs.		
Recommendation 2b	Agree	Estimated Completion Date:	2/1/26
Please provide details of corrective action or explain disagreement.	KCPS agrees to ensure that the performance of the requirements and best practices are documented when evaluating and participating in ICPAs.		
Recommendation 2c	Agree	Estimated Completion Date:	2/1/26
Please provide details of corrective action or explain disagreement.	KCPS agrees to maintain a comprehensive list of all contracts awarded under an ICPA		

Kent County Public Schools

Agency Response Form

Finding 3

KCPS did not always obtain Board approval, execute written contracts, prepare written justifications, and publish contract awards on *eMaryland Marketplace Advantage (eMMA)* for non-competitive procurements.

We recommend that KCPS comply with its *Procurement Procedures* and State law when procuring non-competitive contracts including

- a. obtaining Board approval;
- b. entering into written contracts;
- c. preparing written justifications; and
- d. publishing contract awards and procurement awards on *eMMA* as required, including those noted above.

Agency Response			
Analysis	Factually Accurate		
Please provide additional comments as deemed necessary.			
Recommendation 3a	Agree	Estimated Completion Date:	11/1/25
Please provide details of corrective action or explain disagreement.	KCPS agrees to obtain board approval when necessary for all sole source contracts moving forward.		
Recommendation 3b	Agree	Estimated Completion Date:	11/1/25
Please provide details of corrective action or explain disagreement.	KCPS agrees to enter into written contracts for all sole source contracts moving forward.		
Recommendation 3c	Agree	Estimated Completion Date:	11/1/25
Please provide details of corrective action or explain disagreement.	KCPS agrees to prepare written justifications for all sole source contracts moving forward.		
Recommendation 3d	Agree	Estimated Completion Date:	11/1/25
Please provide details of corrective action or explain disagreement.	KCPS agrees to publish contract awards and procurement awards on eMMA moving forward.		

Kent County Public Schools

Agency Response Form

Human Resources and Payroll

Finding 4

KCPS did not ensure critical human resources and payroll transactions were independently reviewed for propriety.

We recommend that KCPS perform independent supervisory reviews of changes processed for the bi-weekly payroll, at least on a test basis, by agreeing changes to appropriate supporting documentation (repeat).

We advised KCPS on accomplishing the necessary separation of duties using existing personnel.

Agency Response			
Analysis	Factually Accurate		
Please provide additional comments as deemed necessary.			
Recommendation 4	Agree	Estimated Completion Date:	3/1/26
Please provide details of corrective action or explain disagreement.	KCPS agrees to test the bi-weekly Payroll to ensure accuracy. The Director of Finance can work with the Systems Administrator to review reports to review what was entered in the system for Payroll.		

Kent County Public Schools

Agency Response Form

Equipment Control and Accountability

Finding 5

KCPS did not establish adequate accountability and control over its equipment.

We recommend that KCPS establish adequate controls over its equipment including maintaining comprehensive records and conducting periodic physical inventories.

Agency Response			
Analysis	Factually Accurate		
Please provide additional comments as deemed necessary.	KCPS does maintain adequate accountability and control over the overwhelming majority of its equipment. There is one area that was highlighted during the findings that we will make a correction to moving forward so we are fully compliant in this category. KCPS does maintain comprehensive records and conduct periodic physical inventories of its equipment for the overwhelming majority of its equipment.		
Recommendation 5	Agree	Estimated Completion Date:	6/1/26
Please provide details of corrective action or explain disagreement.	KCPS has established a plan amongst all departments to review overall inventory. Currently, this is being reconciled by the Systems Administrator. Once reconciliation is complete, updated Inventory information will be added to the system. This is separate from the Fixed Asset Inventory.		

Kent County Public Schools

Agency Response Form

Information Technology

The Office of Legislative Audits (OLA) has determined that the Information Technology section, including Findings 6 through 8 related to “cybersecurity,” as defined by the State Finance and Procurement Article, Section 3.5-301(b) of the Annotated Code of Maryland, and therefore are subject to redaction from the publicly available audit report in accordance with the State Government Article 2-1224(i). Although the specifics of the following findings, including the analysis, related recommendations, along with KCPS’ responses, have been redacted from this report copy, KCPS’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.

Finding 8
Redacted cybersecurity-related finding.

Agency Response has been redacted by OLA.

Kent County Public Schools

Agency Response Form

Management of Other Risks

Finding 9

KCPS did not adequately monitor its TPA to verify the propriety of amounts paid, compliance with performance measures, and the eligibility of enrolled dependents.

We recommend that KCPS

- a. compare its records of enrolled employees to TPA invoices and contract rates to determine the propriety of related administrative fees and monthly subscription fees billed (repeat);
- b. obtain documentation to support claim payments and any additional information on the end of year settlement (repeat);
- c. establish a process to independently verify, at least annually, the TPA's compliance with required performance measures and assess penalties when performance goals are not met; and
- d. maintain documentation to support the eligibility of dependents claimed by enrolled health care program participants.

Agency Response			
Analysis	Not Factually Accurate		
Please provide additional comments as deemed necessary.	Regarding recommendation C. All audits of claim payments were provided by our Consultant. Currently, we are conducting an audit as an ESMEC entity to is auditing everything including the performance guarantees.		
Recommendation 9a	Agree	Estimated Completion Date:	12/1/25
Please provide details of corrective action or explain disagreement.	Although this is a finding for KCPS, this is a result of the entire ESMEC set up with our consultants. As the vice chair of the ESMEC Health Trustee's I will ask for a trustee meeting where this can be discussed in greater detail to create a corrective action to better monitor and internally check the contract rates, administrative fee and monthly subscription fees.		
Recommendation 9b	Agree	Estimated Completion Date:	12/1/25
Please provide details of corrective action or explain disagreement.	KCPS agrees to obtain documentation to support claim payments and any additional information on the end of year settlement.		
Recommendation 9c	Agree	Estimated Completion Date:	12/1/25

Kent County Public Schools

Agency Response Form

Please provide details of corrective action or explain disagreement.	We are currently conducting a claims audit that now includes an audit of performance guarantees.		
Recommendation 9d	Agree	Estimated Completion Date:	Immediate
Please provide details of corrective action or explain disagreement.	KCPS has always verified dependents, but we will now upload documentation into our B-Swift benefits management platform.		

Auditor's Comment: Although KCPS indicates that the analysis of this finding is not factually accurate because audits of claims payments were provided , the audits of claims payments did not address annual performance measures or the accuracy of the TPA's self-reported penalties.. Nevertheless, KCPS does indicate that an audit is currently underway that will include performance guarantees.

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