



MARYLAND OFFICE OF THE  
INSPECTOR GENERAL FOR EDUCATION

Richard P. Henry  
*Inspector General*

Yvonne K. Brooks, Esq.  
*Deputy Inspector General*

June 9, 2025

**EMAILED TO:atm@somerset.k12.md.us**

Dr. Ava Tasker-Mitchell, Ph.D.  
Superintendent  
Somerset County Public Schools  
7982A Tawes Campus Drive  
Westover, Maryland 21871

RE: OIGE Case 23-0007-A / Management and Oversight of the Concentration of Poverty Grant

The Maryland Office of the Inspector General for Education (OIGE) conducted an investigative audit of Somerset County Public Schools (SCPS) Management and Oversight of the Concentration of Poverty (CoP) Grant from July 1, 2019, through January 31, 2022. The investigative audit results are included in the attached final report.

The OIGE shared a draft report with SCPS on April 25, 2025. On May 20, 2025, the former Director of Finance and current acting Advisor responded to the recommendations and areas of improvement. The final responses are included in Appendix A of this report and indicate SCPS's concurrence with the recommendations. The response indicated a commitment to improving controls to prevent fraud, waste, and abuse of CoP grant funds.

The OIGE would like to thank the SCPS staff for their support and understanding throughout the investigative audit process. If you have additional questions or concerns, please contact Ms. Georgia Conroy, Supervisory Inspector General for Investigative Audits, at (443) 721-6234 or by email at [georgia.conroy@maryland.gov](mailto:georgia.conroy@maryland.gov).

Respectfully,

Richard P. Henry  
Inspector General

cc: Mr. Matthew Lankford, Board Chairperson - Somerset County Public Schools, Board of Education  
Dr. Joshua L. Michael, Ph.D., President - Maryland State Board of Education  
Dr. Carey M. Wright, Ed.D., State Superintendent of Schools - Maryland State Department of Education  
Ms. Georgia Conroy, Supervisory Inspector General, Office of Investigative Audits



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# **Office of the Inspector General for Education**

State of Maryland

**Richard P. Henry**

Inspector General

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**Investigative Audit 23-0007-A**

**Somerset County Public  
Schools**

**Management and Oversight  
of the Concentration of  
Poverty Grant**

June 9, 2025

# ***Executive Summary***

## ***Investigative Audit of Somerset County Public Schools Concentration of Poverty Funds Management***

### ***Objectives:***

To determine whether grant funds are being effectively and efficiently managed and to evaluate whether internal controls have been established at Somerset County Public Schools (SCPS) to prevent fraud, waste, and abuse of grant funds.

### ***Scope:***

Expenditures using Concentration of Poverty (CoP) funding from July 1, 2019, through January 31, 2023.

### ***Recommendations and Response:***

The report contains one finding and three recommendations to assist the SCPS in improving grant management. Responses to the recommendations will be provided by SCPS.

### ***Results in Brief:***

The OIGE noted that SCPS used CoP funds to purchase gift cards at three separate community schools, which is not an acceptable use of CoP funds and not in compliance with the Blueprint for Maryland's Future.

The OIGE also identified areas of improvement to reduce the opportunity for fraud, waste, and abuse of grant funds.



# **Investigative Audit of Somerset County Public Schools Concentration of Poverty Funds Management**

## **Table of Contents**

Investigative Audit Background.....	2
Objectives.....	3
Scope.....	3
Methodology.....	3
Related OIGE Reports.....	4
Blueprint and Community Schools Legislation.....	4
Somerset County Public Schools.....	9
Observations.....	10
Recommendation #1.....	13
Finding #1.....	13
Recommendation #2.....	14
Recommendation #3.....	17
SCPS Response.....	Appendix A

# **Investigative Audit of Somerset County Public Schools Concentration of Poverty Funds Management**

## **Investigative Audit Background**

In November 2022, the Office of the Inspector General for Education (OIGE) received a complaint alleging that a Community School Manager, not affiliated with SCPS, potentially mismanaged funds budgeted for a Concentration of Poverty (CoP) eligible school, a component of the Blueprint for Maryland's Future (Blueprint). Additionally, the January 2023 Office of Legislative Audits (OLA) Report on the Maryland State Department of Education (MSDE) included a finding that MSDE has not established effective methods to ensure that Local Education Agencies (LEAs) were using Blueprint funds appropriately.

After reviewing publicly available information on the Blueprint components, the OIGE determined that a statewide investigative audit, including eight LEAs, would address the possible risk of CoP fund mismanagement. OIGE would conduct individual investigative audits concurrently for each LEA's processes regarding CoP fund management and an investigative audit report of MSDE, totaling nine investigative audit reports.

On or about February 6, 2024, the first of these reports, Investigative Audit 23-0001-A, on MSDE's Management and Oversight of the Concentration of Poverty Grant, was issued. It contained four findings and seven recommendations. In the report, the OIGE noted a lack of policies and procedures from MSDE governing the expenditure of CoP funds, resulting in more than \$12.3 million in unused CoP grant funds for Fiscal Years (FY) 2020 through FY 2022 among the eight LEAs in scope. Additionally, the report noted that LEAs were not provided with adequate and consistent training by MSDE; therefore, they procured their own training, often using CoP funds. Finally, the report found LEAs were not provided with information on the handling of funds that were distributed but not spent during the grant period, resulting in approximately \$1 million in unspent funds being returned to MSDE by the LEAs.

In response to this report, MSDE concurred with the recommendations to create and disseminate policies and procedures governing CoP grant management to LEAs. In March 2024, MSDE sent all LEA Superintendents CoP spending guidance and offered spending guidance webinars. Relevant to the MSDE report and the CoP grant, the 2024 Legislative Session passed SB161/HB200, requiring the Community School Coordinators (CSCs) to submit detailed annual evaluations to MSDE and the State of Maryland, Accountability & Implementation Board (AIB) on the use of funding, students impacted, and strategies employed. These reports are to be made publicly available.

Concurrent to Investigative Audit 23-0001-A, this Investigative Audit report (23-0007-A) details the SCPS CoP grant fund management.

# Investigative Audit of Somerset County Public Schools

## Concentration of Poverty Funds Management

### Objectives

The objectives of the investigative audit are to determine whether:

- 1) CoP grant funds are being effectively spent and managed to determine risk and
- 2) Internal controls have been established to prevent fraud, waste, and abuse of CoP grant funds.

### Scope

The investigative audit's scope included expenditures made by SCPS using CoP funding from July 1, 2019, through January 31, 2023. SCPS was selected as an LEA with fewer than 40 community schools overall and receiving CoP grant funds for at least three years.

The following five SCPS community schools are included in this investigative audit:

School Name	First Year of CoP
Carter G Woodson Elementary School	2020
Ewell Elementary School*	2021
Greenwood Elementary School	2020
Somerset Intermediate School	2020
Princess Anne Elementary School	2020

*\*Note: Ewell Elementary School was closed in 2023*

### Methodology

To accomplish the objectives, the OIGE reviewed all relevant SCPS policies and procedures governing grant management and reviewed submitted CoP program forms and reports, including fund allocation, staffing, expenditure patterns, and the impact of CoP funds on supporting educational initiatives and addressing community needs from SCPS to MSDE and the State of Maryland's AIB.

The OIGE also interviewed key personnel at SCPS Central Offices, MSDE, and the AIB to determine their understanding of the processes involved in distributing and spending CoP funds.

In addition, OIGE selected a judgmental sample of thirty-five CoP expenditures totaling \$152,667.94 across the three years in scope and reviewed SCPS' supporting documentation for program approval and justification of these expenses.

# **Investigative Audit of Somerset County Public Schools Concentration of Poverty Funds Management**

## **Related OIGE Reports**

As noted above, in addition to this investigative audit report and the MSDE investigative audit report, the OIGE conducted the following seven investigative audits concurrently:

- Allegany County Public Schools (23-0002-A)
- Anne Arundel County Public Schools (23-0003-A)
- Baltimore County Public Schools (23-0004-A)
- Dorchester County Public Schools (23-0005-A)
- Montgomery County Public Schools (23-0006-A)
- Washington County Public Schools (23-0008-A)
- Wicomico County Public Schools (23-0009-A)

## **Blueprint and Community Schools Legislation**

In 2019, the Maryland Code, Education §5-219, established a CoP grant program in Maryland to provide additional resources, support, and services for children attending schools in the state. This grant focused on students living in communities with high poverty and crime rates and a lack of access to adequate health care and social services. The resources for these support services would be provided at the school and community levels. This bill defined a community school as,

*a public school that establishes a set of strategic partnerships between the school and other community resources that promote student achievement, positive learning conditions, and the well-being of students, families, and the community by providing wraparound services.*

The primary purpose of the Blueprint is to enhance student experiences, accelerate student outcomes, and improve the quality of education in Maryland. The Blueprint comprises five pillars, each encompassing key initiatives designed to transform the quality of education in Maryland and narrow opportunity and achievement gaps.

The CoP grant is included in Pillar Four of the Blueprint, titled "More Resources for Students to be Successful." This pillar focuses on strengthening wraparound services, noted below, through the expansion of community schools, establishing the Maryland Consortium on Coordinated Community Supports, targeting support for students and families based on differentiated needs, establishing a workgroup on multilingual learners, and developing a funding formula based on a new measure of concentration of poverty.



# **Investigative Audit of Somerset County Public Schools**

## **Concentration of Poverty Funds Management**

The CoP grant consists of two funding categories: personnel grants and per-pupil grants.

### **Personnel Grant:**

The personnel grant is the first portion of the CoP grant awarded to LEAs. It is a fixed amount of funding per eligible community school to hire a CSC and a professional Healthcare Practitioner (HP). After filling these positions, an eligible school may use the remaining grant funds towards wraparound services, as noted below.

### **Per-pupil Grant:**

The per-pupil grant is the second portion of the CoP grant awarded to LEAs. It is calculated based on the number of students living in poverty attending eligible community schools. CoP grant funds were awarded to eligible schools where 80% or more of the students received free or reduced meals. In FY 2023, this percentage was reduced by 5%. It will continue until it reaches 55% in FY 2027, essentially easing the eligibility requirement to become a community school and allowing more schools to qualify for CoP funds.

These per-pupil CoP grant funds are to be used for a wide range of wraparound services, defined in the Blueprint as:

- (1) Extended learning time, including before and after school, weekends, summer school, and an extended school year.
- (2) Safe transportation to and from school and off-site apprenticeship programs.
- (3) Vision and dental care services.
- (4) Establishing or expanding school-based health center services.
- (5) Additional social workers, mentors, counselors, psychologists, and restorative practice coaches.
- (6) Enhancing physical wellness, including providing healthy food for in-school and out-of-school time and linkages to community providers.
- (7) Enhancing behavioral health services, including access to mental health practitioners, and providing professional development to school staff to provide trauma-informed interventions.
- (8) Providing family and community engagement and support, including informing parents of academic course offerings, language classes, workforce development training, opportunities for children, and available social services, as well as educating families on how to monitor a child's learning.
- (9) Establishing and enhancing linkages to Judy Centers and other early education programs that feed into the school.
- (10) Enhancing student enrichment experiences, including educational field trips, partnerships, and programs with museums, arts organizations, and cultural institutions.

# **Investigative Audit of Somerset County Public Schools**

## **Concentration of Poverty Funds Management**

- (11) Improving student attendance.
- (12) Improving the learning environment at the school; and
- (13) Any professional development for teachers and school staff to quickly identify students who are in need of these resources.

According to MD Code, Education §9.9-1041, the CSC shall be responsible for completing an assessment of the needs (needs assessment) of the students in the school for appropriate wraparound services to enhance their success. The needs assessment shall:

- (i) Be completed in collaboration with:
  - 1. The principal;
  - 2. A school health care practitioner; and
  - 3. A parent teacher organization or a school council;
- (ii) Include an assessment of the physical, behavioral, and mental health needs and wraparound service needs of students, their families, and their communities; and
- (iii) Be submitted to the Department (MSDE) and the local school system within one year of receiving a personnel grant under § 5-223 of this article or within one year of becoming a community school.

Additionally, the CSC is responsible for developing an implementation plan based on the community school's needs assessment, in cooperation with other interested stakeholders. The implementation plan<sup>2</sup> shall include:

- 3(i) A strategy for providing wraparound services to address the needs of the students, their families, and their communities, building on and strengthening community resources near the school;
  - (ii) Inclusion, if possible and practicable, of community partners in geographic proximity to the school that can assist in meeting the needs identified in the assessment;
  - (iii) Ensure that time is made available to train staff on the supports available, the need for the supports, and how to engage with the community schools coordinator to access these supports; and
  - (iv) Develop strategies to maximize external non-State or non-local education funding.
- (4)(i) The implementation plan shall be submitted to the local school system for approval within one year of completion of the needs assessment.

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<sup>1</sup> 2022 Maryland Statutes Education, Division II - Elementary and Secondary Education, Title 9.9 - Community Schools, Section 9.9-104 - Community School Coordinator

<sup>2</sup> Ibid b(3)

# **Investigative Audit of Somerset County Public Schools**

## **Concentration of Poverty Funds Management**

(ii) After the implementation plan is approved by the local school system it shall be submitted to the Department (MSDE).

MSDE disburses COP funding to the LEA, not directly to the community schools. The LEAs spend the CoP funds on the local community schools for either personnel or wraparound services, as noted above. According to the Blueprint, if the LEA has at least 40 eligible community schools<sup>3</sup>, referred to as the "40 threshold," the LEA board may pool up to half of the CoP funds and administer them centrally. This allows for the expenditure of CoP funds at the district level, provided a plan is developed in consultation with eligible schools. Prior to FY 2023, only Baltimore City Public Schools and Prince George's County Public Schools met the 40 threshold.

The Blueprint further notes that an eligible community school that receives outside funding (e.g., from the local health department) for a local school nurse, school health services, or community school services in FY 2021 must receive at least the same level of resources in FY 2022 to safeguard those funds.

### **Funding**

Following the initial legislative approval of the Blueprint, funding was delayed due to the Governor's veto. In anticipation of the legislation going into effect, MSDE allocated start-up funding to the LEAs to establish the Blueprint's policy framework, including funding for the CoP personnel grant. Funding was initially provided to LEAs in the form of restricted grants<sup>4</sup>, with LEAs requesting monthly reimbursements from MSDE for incurred expenditures. Beginning in FY 2023, the legislature revised the methodology for distributing state education funds to LEAs. This change made the definition of state funds more inclusive, incorporating CoP funds, which became unrestricted funds<sup>5</sup>. Concurrently, MSDE began distributing CoP funding as automatic, bi-monthly, unrestricted payments.

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<sup>3</sup>As of 2023, only three LEAs have over 40 schools.

<sup>4</sup> Restricted grants in education are funds designated by the State to be utilized only for specific purposes. The purpose and the time to use the funds are determined by the State, giving them assurance funds are being used per program guidelines. Grant funds are reimbursed on incurred costs.

<sup>5</sup> Unrestricted grants are funds provided to an LEA and may be used for any purpose so long as it meets the objectives outlined in the grants governing document. Grant funds generate a fund balance for current expenses, and the funds allocated to the LEA are no longer required to be placed in a restricted account.

# Investigative Audit of Somerset County Public Schools

## Concentration of Poverty Funds Management

According to MSDE figures, from 2019 to 2024, MSDE allocated \$649 million in CoP grant funds alone to eligible LEAs, as shown in Exhibit A:

### Exhibit A: MSDE CoP grant funds allocated to LEAs

	Personnel Grant	Per-Pupil Grant	Total CoP
2019-2020	\$51 million	N/A	\$51 million
2020-2021	\$65 million	N/A	\$65 million
2021-2022	\$75 million	\$42 million	\$117 million
2022-2023	\$92 million	\$97 million	\$189 million
2023-2024	\$124 million	\$103 million	\$227 million
<b>Total</b>			<b>\$649 million</b>

*Note: MSDE – FY 24 State Aid Calculation*

The Blueprint is expected to increase annual education funding by an estimated \$3.8 billion over the next ten years. The State and Local governments will share this funding increase based on requirements in the legislation reflecting the needs and demographics of the county or city.

As of October 2023, CoP grants were provided to 454 community schools throughout Maryland, representing a 27% increase from the 358 community schools in 2022.

### MSDE CoP Funding Process and Key Requirements

#### MSDE Requirements:

MSDE issues a Notice of Grant Award (NOGA) to LEAs, documenting the details of the award, including the total amount awarded and the grant period. Within the NOGA are two separate fields in which MSDE notifies an LEA that an Annual Financial Report (AFR) is required.

The overall conditions and requirements of the NOGA are acknowledged, signed, and dated by 1) an MSDE Program Representative; 2) an MSDE Financial Representative; 3) an MSDE Assistant Superintendent/Office Head; and 4) the MSDE Accounting Office.

#### LEA Requirements:

To receive restricted grant funds, LEAs must report budget information for any grant using the MSDE Grant Budget C-1-25 Form at the beginning of the grant period. Both the LEA Superintendent and the LEA Finance Officer approve the C-1-25. The C-1-25 must show the budgeted expenditures for the CoP personnel and per-pupil grants for the upcoming school year.

According to the MSDE Financial Reporting Manual for Maryland Public Schools, Appendix A, the LEA populates the AFR with the fiscal year's financial data to be reported to MSDE for all restricted grants. The AFR includes critical summary information and

# Investigative Audit of Somerset County Public Schools

## Concentration of Poverty Funds Management

denotes the LEA's Approved Budget, Total Expenditures (amount spent by the LEA), Cash to Date (funds received by the LEA), Amount Unused (the difference in Approved Budget and Total Expenditures), and Amount Due to MSDE or to the LEA (the amount that a LEA owes back to MSDE or the additional amount that MSDE owes the LEA upon finalization). See Exhibit B below for an example of the AFR header. The AFR further provides annual financial breakdowns of how grant amounts were spent and submitted to MSDE. MSDE uses the information contained in the final AFR to reconcile each LEA grant balance.

### Exhibit B: AFR Example

Grant:	<input type="text"/>	<b>Cumulative Expenditures</b>	PCA/Fund Source <input type="text"/>
<input type="text"/>	<input type="text"/>	Local ID	Grant Period Jul 1, 2020 Jun 30, 2021
<b>Summary Information:</b>		<b>Expenditures by Recipient</b>	
Approved Budget:	<input type="text"/>	Total Expenditures:	<input type="text"/>
Cash To Date:	<input type="text"/>	Encumbrances:	<input type="text"/>
Amt. Unused	0	Received Date:	Sep 21, 2021 9:29:23 AM
Check Amount:	<input type="text"/>	Type of Report:	F
Check Number	<input type="text"/>		
Amt Due MSDE/LEA	0		
Federal Administration	Non Federal Administration	Maintenance	Local Contributions
Account Code	Grant Detail Description		Detail Amount
<input type="text"/>	CE-Rev-State- Concentration of Poverty Grant		<input type="text"/>

The NOGAs issued for FYs 2020 through 2022 for COP grants required an AFR for both CoP grants (personnel and per-pupil). As the CoP grant funding process shifted from restricted to unrestricted in FY 2023, MSDE no longer required AFRs for CoP grants, which eased the funding process.

LEAs now receive CoP funds as part of their state share of MSDE's foundation program in their automatic bi-monthly installment<sup>6</sup>.

### Somerset County Public Schools

SCPS is located within Somerset County, the southernmost county in Maryland, on the western boundary of the Chesapeake Bay and the southern boundary of Virginia, with an approximate population of 26,273. At the time of this audit, SCPS had ten public schools and technology centers - six public elementary schools, one public intermediate school, two public high schools, and one technology and career center. Student enrollment for

<sup>6</sup> According to Maryland Code for Education Section 5-201, the foundation program refers to the product of the annual per pupil foundation amount and a county's enrollment count.

# Investigative Audit of Somerset County Public Schools

## Concentration of Poverty Funds Management

the 2021-2022 academic year was 2,638. Of the ten schools, seven have been designated as community schools for the 2022-2023 school year. As noted above, one elementary school, originally designated as a community school, was closed in 2023. From FY 2020 to FY 2022, MSDE allocated approximately \$4.3 million in CoP funds to SCPS. Exhibit C below shows the breakdown of CoP funds allocated by MSDE to SCPS.

### Exhibit C: MSDE CoP funds allocated to SCPS

Grant Type	Fiscal Year	Funds Allocated
Personnel	2020	995,332
	2021	1,244,165
	2022	1,244,165
<b>Subtotal</b>		<b>\$3,483,662</b>
Per Pupil	2022	843,890
<b>Total</b>		<b>\$4,327,552</b>

The OIGE met with SCPS staff responsible for managing the CoP programs, including the Chief Financial Officer, the Supervisor of Student Services, and the CoP Coordinator, to discuss the overall management of expenses associated with CoP Personnel and per-Pupil Grants.

## Audit Results, Observations, and Recommendations

### Use of CoP Personnel Grant - Required Positions Expenses:

The OIGE found that SCPS demonstrated proper use of spending CoP personnel grant funds. These grant funds were used to fill four of the five CSC positions at the community schools in scope by the initial year, as required by the Blueprint. Ewell School (EWS) was designated a CoP School in FY 2021 and, therefore, became eligible for a CSC position. However, the FY 2022 school year's enrollment was under ten students, with a projection of zero students for the following school year. Anticipating the school's closure, SCPS did not hire a CSC position. EWS ultimately closed in FY 2024.

SCPS already employed School-day nurses prior to the CoP grant and chose to continue this funding framework rather than supplant it with CoP funds. As noted above, the CoP personnel grant funds are intended to fund both HP and CSC positions at each school. However, SCPC was able to fully staff the HP positions without using CoP funds.

Notably, School-Based Health Care (SBHC) was established in SCPS before the CoP funding. Chesapeake Health Care's SBHC is available to SCPS students and the community at Washington Academy and High School. Funding for this program is

# **Investigative Audit of Somerset County Public Schools**

## **Concentration of Poverty Funds Management**

provided by the Maryland Community Health Resources Commission, an independent commission operating with the Maryland Department of Health.

During the FY 2023 period, SCPS established the CoP Coordinator position to provide administrative and fiscal support for the overall growth of the community school program throughout the district. The OIGE noted that SCPS utilized both unrestricted CoP funds and local funds to finance this position, whose duties were evenly divided among the four community schools: Carter G. Woodson Elementary School, Greenwood Elementary School, Somerset Intermediate School, and Princess Anne Elementary School.

As noted in Investigative Audit 23-0001-A, MSDE lacked oversight and clear guidance on spending CoP funds on wraparound services and district-wide positions. According to MD Code, Education, § 5-223 “(5)(i) If an eligible school, prior to receiving a personnel grant, employs an individual in a position or has the coverage required under paragraph (2) of this subsection, at least the same amount of funds shall be provided to the eligible school to be used for those positions or coverage after receiving a personnel grant.”

In December 2024, the joint AIB and MSDE Community Schools report was submitted to the Maryland General Assembly, detailing technical assistance, expenditure data, and the impacts of community schools. Notably, Appendix C included the National Center for Community Schools' Maryland Community Schools Technical Assistance Assets and Needs Assessment, which highlighted the impact of district infrastructure on school-level implementation. It states, in sum and substance,

*A lack of coherence and alignment within organizational structure hampers the ability to identify essential enabling conditions and practices for successful implementation. This highlights the need for comprehensive support systems and capacity-building efforts at the district level to facilitate effective implementation at the school level.*

### **Use of CoP Per-Pupil Grant – Wraparound Services Expenses:**

The OIGE found that SCPS demonstrated proper spending of CoP per-pupil grant funds, except for gift card expenditures noted in Finding One below. SCPS implemented existing procurement protocols for the CoP grant. The school principal, the finance department, the Supervisor of Student Services, or the CoP Coordinator can authorize purchases made using CoP funds. These funds, combined with any remaining personnel grant funds, were used to support identified wraparound services that address various community needs and enhance student experiences. After staffing the required positions noted above, SCPS used the available CoP funds to fund multiple positions, including, but not limited to, the following:

# **Investigative Audit of Somerset County Public Schools**

## **Concentration of Poverty Funds Management**

- Alternative Learning Center Teachers and Paraprofessionals to ensure success for every student and perform various instructional-related activities;
- Reading/Math and Behavior Intervention Specialists to help address specific course needs and behavioral issues;
- Dean of Students positions to assist with academic and disciplinary standards and;
- English Learner Liaisons to assist foreign language speaking students and families.

To confirm that SCPS was following the established procurement protocols, the OIGE reviewed a judgmental sample of thirty-five CoP expenditures totaling \$152,667.94 across the three years in scope. Testing included a review of supporting documentation for each expenditure to verify program approval and justification of these expenses. Overall, the OIGE found that thirty-one of the thirty-five reviewed expenses complied with the Blueprint and were acceptable uses of CoP funds for wraparound services, further supported by the March 2024 MSDE spending guidance sent to Superintendents, as noted above. The OIGE noted that expenditures were aligned with priorities, including behavioral intervention, enhancing student enrichment experiences, and family and community engagement, with the goal of positively contributing to educational outcomes. The OIGE found some unique examples of justified CoP expenses spent on wraparound services in alignment with SCPS' needs assessments and implementation plan, such as:

- a modular classroom to enhance behavioral health services;
- giveaways and costs to offset field trip expenses (e.g., fun house and bowling) for student positive behavior incentives;
- classroom instructional materials, such as testing materials for improving the learning environment at the school;
- meals, materials, and a poster printer for family and community engagements; and
- costs for an overnight conference and staff professional development.

Additionally, the OIGE found that the expenditures were approved in accordance with SCPS policies and procedures and were approved in a timely manner.

The population selected for testing did not contain sensitive items<sup>7</sup> that would typically be entered into inventory; therefore, OIGE did not evaluate inventory procedures. The March

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<sup>7</sup> According to the Maryland Department of General Services, Inventory Control Manual, effective July 1, 2023, sensitive items are capital or non-capital equipment items, such as all computer equipment, but not limited to, laptops, notebooks computers, palm pilots, recording devices, portable tools, hand radios,



# **Investigative Audit of Somerset County Public Schools**

## **Concentration of Poverty Funds Management**

2024 MSDE spending guidance emphasized the need to ensure that the technology purchased to enhance the school's learning environment was clearly labeled as "Property of Community Schools."

### **Recommendation #1**

In alignment with the recent MSDE CoP spending guidance and the established State of Maryland DGS guidance on tagging, SCPS should update its inventory controls to reflect sensitive items purchased with CoP funds, such as laptops and furniture, as they are prone to theft and potentially concealable. These types of equipment and technology should also be tracked using the asset system and labeled as "Property of Community Schools." Further, these items should be subject to an annual physical inventory. Updating policies and procedures with these measures will ensure SCPS inventory controls are in alignment with existing guidance.

### **Finding 1: CoP Grant Funds Used for Gift Cards**

OIGE found that SCPS did not comply with standards, both in Blueprint and SPCS procedures, when purchasing gift cards with CoP grant funds.

Of the thirty-five transactions reviewed, OIGE noted four transactions that included a combined total of \$920.99 in gift card expenses. The March 2024 MSDE spending guidance, "Examples of Not Allowable Expenses" section, included gift cards. The testing showed that SCPS used gift cards as incentives. See Exhibit D for the gift card transactions.

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cameras, and the like that are prone to theft and concealable in a handbag or briefcase. Equipment items that are too large for concealment, such as typewriters, projectors, chain saws and the like, shall be considered sensitive items. DGS capital equipment inventory system includes a threshold for sensitive items at \$250, requiring these items to be label/tag and subject to an annual physical inventory (pages 16-17).

Although SCPS is not required to follow DGS guidance, OIGE is using this Inventory Control Manual for a general definition of sensitive items.

# Investigative Audit of Somerset County Public Schools

## Concentration of Poverty Funds Management

### Exhibit D: Gift Cards Noted in Testing

School	Date	Vendor	Amount	Details
Somerset Intermediate School	10/15/2019	Subway	50.00	Family Night
		McDonalds	75.00	
	5/17/2022	Subway	20.00	PBIS Supplies
		Dunkin Donuts	20.00	
Greenwood ES	5/3/2022	Panera	75.00	Incentive Giveaways
		Jersey Mikes	75.00	
		Texas Roadhouse	75.00	
		Buffalo Wild Wings	75.00	
		Subway	75.00	
		Amazon	75.00	
		Shipping	55.99	
Princess Anne ES	6/1/2022	Dunkin Donuts	250.00	PBIS Supplies
	Total		<b>920.99</b>	

When queried, SCPS Finance staff stated that purchasing gift cards was not allowed, although they had become aware of these purchases through OIGE requests for records for testing purposes. The Finance staff acknowledged that their purchasing procedures did not reflect the restrictions on purchasing gift cards. As the SCPS policy did not reflect any directive on buying gift cards, SCPS was unable to provide evidence that it had proper controls over the inventory and distribution of gift cards.

As noted on page two of this report, Investigative Audit 23-0001-A on MSDE's Management and Oversight of the CoP Grant noted that MSDE did not create policies and procedures governing how CoP funds could be expended. Additionally, MSDE did not provide adequate and consistent training to the LEAs. In March 2024, after these gift cards were purchased, MSDE sent all LEA Superintendents CoP spending guidance and offered spending guidance webinars. Included in these guidelines is a list of "Examples of Not Allowable Expenses," which includes "Gift cards."

### Recommendation #2

In accordance with the March 2024 MSDE spending guidance, SCPS should develop policies specifically designed to prevent the purchase of gift cards.

### Unused CoP Funds:

The OIGE's review of CoP personnel grant funds used to hire critical program personnel found that more than \$3.4 million was allocated to SCPS from FY 2020 to FY 2022, and approximately \$362,829, or ten percent, went unused. See Exhibit E below for details:

# Investigative Audit of Somerset County Public Schools

## Concentration of Poverty Funds Management

### Exhibit E: Personnel Grant Data by Participating Fiscal Years 2020 through 2022

Personnel Grants	Fiscal Year	Total CoP Funds Allocated	Total Amount of CoP Funds Spent (Used)	Total Amount of CoP Funds Remaining (Unused)	% Unused
Somerset	2020	995,332	995,332	-	-
	2021	1,244,165	1,132,965	111,200	9%
	2022	1,244,165	992,536	251,629	20%
<b>Total</b>		<b>\$3,483,662</b>	<b>\$3,120,833</b>	<b>\$362,829</b>	<b>10%</b>

The OIGE's review of CoP per-pupil grant funds found that approximately \$843,890 was allocated to SCPS in FY 2022, and approximately \$62,433, or seven percent, went unused during the grant period. See Exhibit F below for details:

### Exhibit F: Per-Pupil Grant Data for FY 2022

Per-Pupil Grant FY2022	Total CoP Funds Allocated	Total Amount of CoP Funds Spent (Used)	Total Amount of CoP Funds Remaining (Unused)	% Unused
Somerset	\$843,890	\$781,457	\$62,433	7%

As previously reported, EWS became a community school in FY 2021. However, SCPS was aware of the decreased student enrollment and foresaw its ultimate closure in FY 2024. SCPS, therefore, chose not to hire the required CSC, resulting in unused CoP funds beginning in FY 2021. These unused funds carried over to the following years, creating the potential for additional unused funds, as noted above in Exhibits E and F. SCPS staff strived to effectively manage and plan for the unforeseen challenges ahead through prudent financial management to maximize the impact of available resources.

As noted in the background, the CoP grant funding process transitioned from restricted to unrestricted in FY 2023, following the commencement of the investigative audit (see footnotes 4 and 5 on page 7). LEAs now receive CoP funds as part of their state share of MSDE's foundation program in their automatic bi-monthly installment, and the LEA holds these funds. Therefore, any unused funds remaining at the end of the fiscal year will be retained by the LEA.

OIGE's review of final AFRs found that SCPS was one of four LEAs in scope that received CoP grant funds, which ultimately went unspent. As noted on page 9, the AFRs note the Amount Due to MSDE or to the LEA (the amount that an LEA owes back to MSDE or the additional amount MSDE owes to the LEA upon finalization). According to the 2022 AFR,

# Investigative Audit of Somerset County Public Schools

## Concentration of Poverty Funds Management

SCPS had approximately \$57,291 of unspent CoP funds owed back to MSDE, which being in a restricted fund and carried over to the next fiscal year.

At the time of the MSDE portion of the investigative audit, MSDE neither provided nor confirmed the existence of a policy or procedure to address the collection of funds returned to MSDE by LEAs. The OIGE found that four LEAs with outstanding amounts had varying responses to address the \$1 million in unused program funds provided to them. In response to Finding 4: Returned CoP Funds in the Investigative Audit 23-0001-A report, MSDE issued the following guidance in their March 2024 report to LEAs regarding unused CoP funds:

*Community school leaders are advised to utilize all the allocated concentration of poverty grants funds within each fiscal year. If there are any remaining funds, the local education agency must keep the unused personnel grant funds in a restricted account. These funds will be carried over to the next fiscal year and will be available to the designated community school for **wraparound services**....Similarly, any unused per-pupil grant funds will be kept in a restricted account and will remain available to the designated school to provide wraparound services for students and families within their community. Therefore, any unused concentration of poverty funds will not be returned to MSDE but will remain with the local education agency.*

MSDE spending guidance does not require LEAs to disclose any unused CoP funds to state or local governments. According to COMAR 13.A.02.01.02, "the annual school budget shall be submitted by the local board of education to the board of county commissioners or county council or the city council according to the form and procedures adopted by the State Board of Education and outlined in the "Financial Reporting Manual for Maryland Public Schools Revised 2009," which is incorporated by reference." The Financial Reporting Manual further clarifies that fund balances, both beginning and ending, are required for all funds to ensure complete reporting. However, there is no requirement for the balance of individual funds to be reported individually, which is typically reported in aggregate with other unrestricted funds.

### Recommendation #3

As Local governments continue to share funding responsibility for the Blueprint, SCPS should individually report the amount of unused CoP funds as a specific fund balance carried over from prior years. This information will ensure transparency and allow the Local government to monitor and address the potential underutilization of allocated funds.

# **Investigative Audit of Somerset County Public Schools Concentration of Poverty Funds Management**

## **Audit Team**

**Georgia Conroy, CIGA, CFE**

Supervisory Inspector General for Investigative Audits

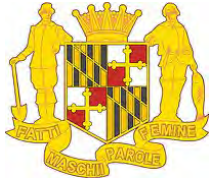
**Donna Pennewill, CIGA**

Investigative Auditor

**Susan Roepcke, CIGA**

Investigative Auditor





MARYLAND OFFICE OF THE  
INSPECTOR GENERAL FOR EDUCATION

Richard P. Henry  
*Inspector General*

Yvonne Brooks  
*Deputy Inspector General*

**Investigative Audit Recommendation Response Form**

Investigative Audit Number: 23-0007-A

Investigative Audit Title: Somerset County Public Schools (SCPS) Management and Oversight of the Concentration of Poverty Grant

**Recommendation 1:** In alignment with the recent MSDE CoP spending guidance and the established State of Maryland DGS guidance on tagging, SCPS should update its inventory controls to reflect sensitive items purchased with CoP funds, such as laptops and furniture, as they are prone to theft and potentially concealable. These types of equipment and technology should also be tracked using the asset system and labeled as “Property of Community Schools.” Further, these items should be subject to an annual physical inventory. Updating policies and procedures with these measures will ensure SCPS inventory controls are in alignment with existing guidance.

**SCPS Response:**

<b>Opinion</b> (Concur/Non-Concur)	<b>Correction Action Plan</b> (Provide Narrative Response*)	<b>Current Status of Corrective Action</b> (Implemented/Partially Implemented/Not Yet Implemented)	<b>Estimated Date of Full Implementation of Corrective Action</b>
<b>Concur</b>	<b>It has always been the practice of SCPS to label all sensitive equipment and technology devices with a sticker that has “Somerset County Public Schools” that includes a barcode and a number. This is used to inventory sensitive devices. SCPS will purchase additional stickers that include “Property of Community Schools” for any sensitive equipment that is purchased in the future. As noted in the Audit report, COP funds were not used to purchase sensitive items during the time period examined. Per current SCPS, any individual asset item that has a cost of \$5,000</b>	<b>Not Yet Implemented. SCPS must purchase the labels that state “Property of Community Schools” to have on hand should sensitive items be purchased with COP funds.</b>	<b>June 15, 2025</b>

	or more would be capitalized and included in our Fixed Asset listing that is provided to our Independent auditors each year. Our capitalization guidelines can be found in Policy 300-13.		
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\*If applicable, please include attachments that may provide better context regarding planned corrective actions.

**Recommendation 2:** In accordance with the March 2024 MSDE spending guidance, SCPS should develop policies specifically designed to prevent the purchase of gift cards.

**SCPS Response:**

<b>Opinion</b> (Concur/Non-Concur)	<b>Correction Action Plan</b> (Provide Narrative Response*)	<b>Current Status of Corrective Action</b> (Implemented/Partially Implemented/Not Yet Implemented)	<b>Estimated Date of Full Implementation of Corrective Action</b>
<b>Concur</b>	The purchase of gift cards is generally discouraged by SCPS. However, there are several grants that do allow for the purchase of gift cards as attendance incentives for Family Engagement nights and as Student Incentives. SCPS does have standard practices as they relate to gift cards, though not written. Generally, when gift cards are given out, standard practice is to have the recipient sign that they received the gift card. In 2 of the 3 instances tested by the audit team, this practice was followed. In 1 instance this practice did not appear to be followed. However, documentation was provided regarding the Family night event at which these cards were distributed. At the time of these events, there	<b>Not Yet Implemented</b>	<b>June 15, 2025</b>

	<p>was no spending guidance from MSDE that stated the purchase of gift cards was prohibited. SCPS will create written procedures with regards to the purchase and distribution of gift cards. This written guidance will prohibit the purchase of gift cards with Unrestricted funds and with Concentration of Poverty funds. Only grants that allow the purchase as incentives for families to attend school events will be authorized and must be approved by the Director of Schools prior to purchase. Prior to formal written guidance being completed, an email will be sent notifying all staff that the use of gift cards is prohibited.</p>		
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\*If applicable, please include attachments that may provide better context regarding planned corrective actions.



**Recommendation 3:** As Local governments continue to share funding responsibility for Blueprint, SCPS should individually report the amount of unused CoP funds rolled over from prior years in the budgeting process. This information will ensure transparency and allow Local governments to monitor and address the potential underutilization of allocated funds.

**SCPS Response:**

<b>Opinion</b> (Concur/Non-Concur)	<b>Correction Action Plan</b> (Provide Narrative Response*)	<b>Current Status of Corrective Action</b> (Implemented/Partially Implemented/Not Yet Implemented)	<b>Estimated Date of Full Implementation of Corrective Action</b>
<b>Concur</b>	Since the inception of the Concentration of Poverty grant, SCPS has chosen to account for each school's allocation of COP funds separately. For the first several years of the grant, COP spending was reimbursed by MSDE using the monthly reporting on the AFR system. As with all other reimbursable grants, these grants were accounted for in the Restricted Revenue fund and were assigned a unique grant number. This allowed SCPS to accurately maintain a record of how much of the grant balance was available for carryover to the next fiscal year. As the COP grant funding began to be included in our bi-monthly payments from the state, SCPS chose to continue to account for these funds as if they were still restricted funds. Each year the COP funding for each school is assigned a unique grant account number(one for the personnel grant and one for the per-pupil grant) so that spending can easily be tracked by school. At the end of the fiscal	<b>Implemented</b>	

	<p>year, any unspent funds are moved to the Deferred Revenue liability account in the Restricted fund. (They are not rolled into the General fund carryover balance.) A Grant Master spreadsheet is completed for our Independent Auditors that shows the details of the Deferred Revenue balance by individual grant. This allows SCPS to ensure that each school's carryover COP balance is available for the school's use in the next year. We do not feel that we are required to implement a Corrective Action Plan for this recommendation as we feel that our current practices are adequate to fulfil what is required by this recommendation.</p>		
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\*If applicable, please include attachments that may provide better context regarding planned corrective actions.