MARYLAND OFFICE OF THE INSPECTOR GENERAL FOR EDUCATION

Richard P. Henry
Inspector General

April 14, 2026

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RE: OIGE Case 23-0008-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 Washington County Public Schools (WCPS) regarding Management and Oversight of the Concentration of Poverty (CoP) Grant for the period from July 1, 2019, through January 31, 2022. The results of the investigative audit are included in the attached final report.

The OIGE shared a draft report with WCPS on March 26, 2026. On April 8, 2026, the Executive Director of Finance responded to the recommendations and areas for improvement. The final responses are included in Appendix A of this report and reflect WCPS's concurrence with the recommendations. The response also expressed a commitment to strengthening controls to prevent fraud, waste, and abuse of CoP grant funds.

The OIGE would like to thank the WCPS staff for their support and understanding throughout the investigative audit. 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.

Respectfully,

Richard P. Henry
Inspector General

cc: Darrell Evans, President – Washington 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 - MSDE
Ms. Georgia Conroy, Supervisory Inspector General, Office of Investigative Audits

Office of the Inspector General for Education

State of Maryland

Richard P. Henry

Inspector General

Investigative Audit 23-0008-A

Washington County Public Schools

Management and Oversight of the Concentration of Poverty Grant

April 14, 2026

Executive Summary

Investigative Audit of Washington 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 Washington County Public Schools (WCPS) 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 WCPS in improving grant management. Responses to the recommendations will be provided by WCPS.

Results in Brief:

The OIGE noted that WCPS used CoP funds to purchase gift cards, 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 for improvement to reduce the opportunity for fraud, waste, and abuse of grant funds.

Investigative Audit of Washington County Public Schools
Concentration of Poverty Funds Management

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Investigative Audit of Washington 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 WCPS, may have mismanaged funds allocated to 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) found that MSDE has not established effective methods to ensure that Local Education Agencies (LEAs) use Blueprint funds appropriately.

After reviewing publicly available information on the Blueprint components, OIGE determined that a statewide investigative audit involving eight LEAs would address the potential risk of CoP fund mismanagement. The OIGE will conduct individual investigative audits simultaneously for each LEA's processes related to CoP fund management and produce an investigative audit report for MSDE, totaling nine 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 MSDE policies and procedures governing how CoP funds could be spent, resulting in more than $12.3 million in unused CoP grant funds among the eight LEAs involved for Fiscal Years (FY) 2020 through 2022. Additionally, the report highlighted that LEAs did not receive adequate, consistent training from MSDE, so they often procured their own training, using CoP funds. Lastly, the report found that LEAs were not provided with information on the handling of funds distributed during the grant period, resulting in approximately $1 million in unspent funds being returned to MSDE.

In response to this report, MSDE agreed with the recommendations to develop and distribute policies and procedures for governing CoP grant management. In March 2024, MSDE sent guidance to all LEA Superintendents on CoP spending and offered related webinars. Regarding the MSDE report and the CoP grant, the 2024 Legislative Session passed SB161 / HB200, which requires Community School Coordinators (CSCs) to submit detailed annual evaluations to MSDE and the Maryland Accountability & Implementation Board (AIB) on funding use, student impact, and strategies employed. These reports are to be made publicly available.

Concurrent to Investigative Audit 23-0001-A, this Investigative Audit report (23-0008-A) details the WCPS CoP grant fund management.

Investigative Audit of Washington 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 scope of the investigative audit included expenditures made by WCPS using CoP funding from July 1, 2019, to January 31, 2023. WCPS was chosen as a school district with fewer than 40 community schools overall and received CoP grant funds for at least three school years.

The following five WCPS community schools were included in this investigative audit:

School Name	First Year of CoP
Bester Elementary School	2021
Lincolnshire Elementary School	2021
Pangborn Elementary School	2021
Ruth Ann Monroe Elementary School	2021
Salem Avenue Elementary School	2021

Methodology

To accomplish the objectives, the OIGE reviewed all relevant WCPS policies and procedures related to 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 WCPS to MSDE and the State of Maryland's AIB.

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

Additionally, the OIGE selected a judgmental sample of forty CoP expenditures totaling $115,411.82 over the two years in scope and reviewed WCPS's supporting documentation for program approval and expense justification.

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)
- Somerset County Public Schools (23-0007-A)
- Wicomico County Public Schools (23-0009-A)

Blueprint and Community Schools Legislation

In 2019, MD Code, Education §5-219, established a CoP grant program in Maryland to provide additional resources, support, and services for children attending schools across the state. This grant focused on students living in communities with high poverty and crime rates who also lack access to adequate health care and social services. The support services' resources would be available at both 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 main goal of the Blueprint is to enhance student experiences, boost student outcomes, and elevate the quality of education in Maryland. The Blueprint includes five pillars, each featuring key initiatives to improve education quality in Maryland and reduce opportunity and achievement gaps.

The CoP grant is part of Pillar Four of the Blueprint, titled "More Resources for Students to be Successful." This pillar emphasizes enhancing wraparound services, as noted below, through expanding community schools, creating the Maryland Consortium on Coordinated Community Supports, providing targeted support for students and families based on different needs, forming a workgroup on multilingual learners, and designing a funding formula based on a new measure of poverty concentration.

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

Personnel Grant:

The personnel grant is the initial part of the CoP grant given to LEAs. It is a set amount of funding for each eligible community school to hire a CSC and a professional Healthcare Practitioner (HP). After these positions are filled, the eligible school can use any remaining grant funds for wraparound services, as described below.

Per-pupil Grant:

The per-pupil grant is the second part of the CoP grant provided to LEAs. The grant amount depends on the number of students living in poverty attending eligible community schools. CoP grant funds are allocated to eligible schools in which 80% or more of students receive free or reduced-price meals. In FY 2023, this threshold was reduced by 5%. It will continue to decrease until it reaches 55% in FY 2027, making it easier for more schools to qualify as community schools and become eligible 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.
> (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 §9.9-104,[1] the CSC shall be responsible for completing an assessment of the student's needs (needs assessment) within the school to ensure appropriate wraparound services that enhance the students' 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 creating an implementation plan for the community school based on the needs assessment, in collaboration with other interested stakeholders. The implementation plan[2] 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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[1] 2022 Maryland Statutes Education, Division II - Elementary and Secondary Education, Title 9.9 - Community Schools, Section 9.9-104 - Community School Coordinator
[2] Ibid b(3)

(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, rather than to the community schools directly. The LEAs use the CoP funds for local community schools, covering personnel or wraparound services, as noted above. According to the Blueprint, if the LEA has at least 40 eligible community schools,[3] referred to as the "40 threshold," the LEA board may pool up to half of the CoP funds and administer them centrally. This permits the use of CoP funds at the district level, provided a plan is developed in collaboration with eligible schools. As of FY 2025, Baltimore County Public Schools, Baltimore City Public Schools, Montgomery County Public Schools, and Prince George's County Public Schools exceeded the 40 threshold.

The Blueprint emphasizes that an eligible community school receiving outside funding, such as from the local health department for a school nurse, school health services, or community school services in FY 2021, must allocate at least the same amount 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 taking 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 as restricted grants,[4] with LEAs requesting monthly reimbursements from MSDE for expenses incurred. Starting in FY 2023, the legislature revised the method of distributing education funds to the LEAs. This change expanded the definition of state funds to include CoP funds, which were subsequently classified as unrestricted. At the same time, MSDE began distributing CoP funding as automatic, bi-monthly, unrestricted[5] payments.

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:

[3] As of 2023, only three LEAs have over 40 schools.

[4] 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.

[5] 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. Unrestricted grant funds may 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.

Exhibit A: MSDE Cop 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
Total			$649 million

Note: MSDE – FY 24 State Aid Calculation

The Blueprint is projected to increase annual education funding by approximately $3.8 billion over the next decade. State and local governments will receive this increased funding in accordance with the legislative requirements, which reflect the needs and demographics of each county or city.

As of July 2024, CoP grants supported 622 community schools across Maryland, a 74% increase from the 358 in 2022.

MSDE CoP Funding Process and Key Requirements

MSDE Requirements:

MSDE issues a Notice of Grant Award (NOGA) to LEAs, documenting the award details, including the total amount and grant period. Within the NOGA, there 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.

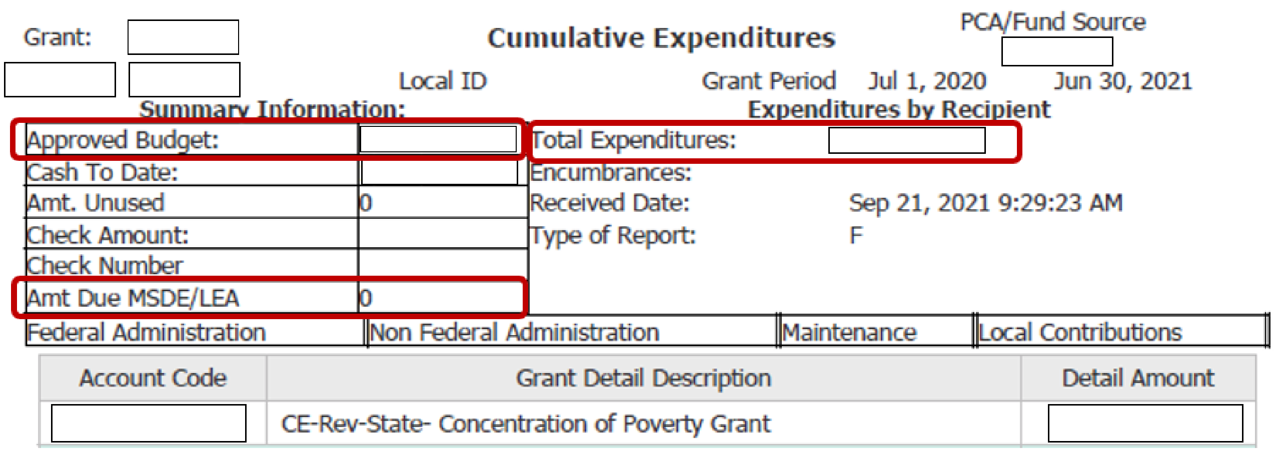
LEA Requirements:

To receive restricted grant funds, LEAs must report budget information for any grant using the MSDE Grant Budget C-1-25 Form at the start of the grant period. Both the LEA Superintendent and the LEA Finance Officer approve the C-1-25. The form must show the budgeted expenditures for 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 completes the AFR using the fiscal year's financial data to report to MSDE for all restricted grants. The AFR includes critical summary information and shows the LEA's Approved Budget, Total Expenditures (amount spent by the LEA), Cash to Date (funds received by the LEA), Amount Unused (the difference between the Approved

Budget and Total Expenditures), and Amount Due to MSDE or to the LEA (the amount the LEA owes back to MSDE or the additional amount MSDE owes the LEA upon finalization). See Exhibit B below for an example of the AFR header. The AFR also provides an annual financial breakdown of how grant funds were spent and reported to MSDE. MSDE uses the information in the final AFR to reconcile each LEA grant balance.

Exhibit B: AFR Example


Grant:

Cumulative Expenditures

PCA/Fund Source

Local ID

Grant Period Jul 1, 2020 Jun 30, 2021

Summary Information:		Expenditures by Recipient	
Approved Budget:		Total Expenditures:	
Cash To Date:		Encumbrances:	
Amt. Unused	0	Received Date:	Sep 21, 2021 9:29:23 AM
Check Amount:		Type of Report:	F
Check Number			
Amt Due MSDE/LEA	0		

Federal Administration	Non Federal Administration	Maintenance	Local Contributions

Account Code	Grant Detail Description	Detail Amount
	CE-Rev-State- Concentration of Poverty Grant	

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.[6]

Washington County Public Schools

WCPS is situated in Washington County, western Maryland, between Pennsylvania and West Virginia, with an estimated population of 154,705. It includes 25 public elementary schools, 7 public middle schools, 9 public high schools, and 5 special programs. Student enrollment for the 2021-2022 academic year was 21,641. Of these 46 schools, eight were designated as community schools in the 2022 -2023 school year. Between FY 2021 and

[6] 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.

FY 2022, MSDE allocated about $3.7 million in CoP funds to WCPS. Exhibit C provides a breakdown of the CoP funds allocated by MSDE to WCPS.

Exhibit C: MSDE funds allocated to WCPS

Grant Type	Fiscal Year	Funds Allocated
Personnel	2021	1,244,165
	2022	1,741,831
Subtotal		**$2,985,996**
Per Pupil	2022	693,793
Total		**$3,679,789**

The OIGE met with WCPS staff responsible for managing the CoP programs, including the Executive Director of Finance, the Coordinator of Student Services and Transition, district-level staff, and the Accounting Department, to discuss the overall management and controls of the expenses related to the CoP Personnel and Per Pupil Grants.

WCPS established guidelines for Blueprint and pillar planning by following federal Title I guidelines. CSCs collaborate with local school staff and the Director of the Community Schools Coordinators to focus on initiatives, desired outcomes, and strategies to leverage resources to create meaningful change in the community.

Audit Results, Observations, and Recommendations

Use of CoP Personnel Grant - Required Positions Expenses:

OIGE found that WCPS demonstrated proper spending of CoP personnel grant funds. These grant funds were used to fill the five CSC positions at community schools in scope by FY 2022, as required by the Blueprint. In FY 2021, the first year CoP funds were awarded to WCPS, CSC responsibilities were added to existing positions at community schools until full-time coordinators could be hired. The five full-time CSC positions were filled by FY 2022, the second year of the CoP grant.

CoP grant funds were also used to supplement, not supplant or replace, existing funding for the required Blueprint HP positions or school-day nurses. WCPS already contracted school-day nurses from outside vendors before the CoP grant, paying their regular eight-hour day using general funds, and chose to maintain this funding framework and did not supplant it with CoP funds.

WCPS staff noted several ongoing challenges they encountered filling after-school nursing services, including, but not limited to, an insufficient number of staff available to work extra hours and declining staffing levels districtwide. To fill any coverage gaps, such as staying after school for an activity, other nurse contractors were used to support the schools. WCPS used CoP personnel grant funds to pay for contracted rates for nurses to attend before- and after-care events, such as family and community engagement events and student enrichment events.

In FY 2021, WCPS established a district-wide Community School-CES position, later titled the Community School Specialist Coordinator (CSSC), to support the growing CoP program district-wide. The position was funded with CoP funds as the duties were divided among all community schools. WCPS included the salary and position description in their FY 2021 budget narrative, which was submitted to and approved by MSDE.

As noted in Investigative Audit 23-0001-A, MSDE lacked oversight and clear guidance regarding the use of CoP funds on wraparound services and districtwide 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, outlining technical assistance, expenditure data, and the effect of community schools. Notably, Appendix C included the National Center for Community Schools (NCCS), Maryland Community Schools Technical Assistance Assets and Needs Assessment, which emphasized how district infrastructure influences school-level implementation. It states, in summary,

> *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 WCPS demonstrated proper spending of CoP per-pupil grant funds, except for gift card expenditures noted in Finding One below. WCPS implemented procurement protocols for the CoP grant in accordance with the Washington County Board of Education's “Approval of Contracts and Payments and the Issuance of Checks” or “DGA” policy and “Approval (Signing) Authority” or “DGF-R” regulation, which authorizes the use of CoP funds through Munis (Financial and Human Resources Management Information System). These funds, combined with any remaining personnel grant funds, were used to support identified wraparound services that address community needs and enhance student experiences. After staffing the required positions noted above, WCPS used the available CoP funds to fund multiple positions, including, but not limited to, the following:

- Paraprofessionals to support student learning in grades 1 & 2 classrooms and assist with the collection of student progress
- Additional teachers’ pay for family engagement, extended learning program, and professional development
- Guidance Counselors and social workers to address academic growth, as well as social and emotional needs of students and families

To confirm that WCPS followed established procurement protocols, the OIGE reviewed a judgmental sample of forty CoP expenditures totaling $115,411.82 over the two years in scope. Testing included reviewing supporting documentation for each expenditure to verify program approval and justification for these expenses. Overall, the OIGE found that forty of the forty expenses complied with Blueprint and were acceptable uses of wraparound services, further supported by the March 2024 MSDE spending guidance sent to Superintendents, noted above. The OIGE noted that expenditures aligned with priorities, including Family and Community Engagement, enhancing student enrichment experiences, improving physical wellness and behavioral health, and increasing student attendance, 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 WCPS needs assessments and implementation plan, such as:

- cost for an overnight conference and professional development for staff to improve the learning environment at the school;
- giveaways, such as bikes, claw vending machine items, and snacks for attendance and student positive behavior incentives;
- cost associated with technical support and assistance to implement a community schools strategy;

- classroom instructional materials, such as magazine subscriptions, access to online curriculum and assessments, learning kits, and books for improving the learning environment at the school;
- dunk tank rental, interactive shows and services, food, and a projector for community engagements (e.g., Back-to-School event, End-of-School event, and Thanksgiving dinner); and
- dental kits and after-school fitness programs to enhance the physical wellness of students.

Additionally, OIGE found that these expenditures were approved in accordance with WCPS's policies and procedures and were approved in a timely manner.

WCPS established inventory control procedures, which include maintaining an equipment list of items purchased with CoP funds. The WCPS Information Technology Department tracks computers and equipment items. WCPS staff did not indicate whether any additional controls were in place to flag items deemed sensitive.[7] Through testing, the OIGE noted that the CoP-purchased items were properly logged in accordance with WCPS policies and procedures.

Included in the March 2024 MSDE spending guidance was the need to ensure that technology purchased to improve the school's learning environment was "labeled" with "Property of Community Schools." Three expenses in the judgmental sample purchased before the MSDE spending guidance, including a crane claw machine totaling $1,327; a projector, totaling $539; and a laminator, totaling $2,349, were not labeled "Property of Community Schools", however they were included in the equipment list of CoP items.

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[7] 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, 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. (page 16-17)

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

Recommendation #1

During the audit period, WCPS complied with its existing inventory control policies and procedures. In alignment with the recent MSDE CoP spending guidance and the established Maryland DGS guidance on tagging, WCPS should update its inventory controls to reflect that sensitive items purchased with CoP funds should be labeled "Property of Community Schools." Additionally, these items should be subject to an annual physical inventory. Updating procedures to incorporate these measures will help ensure WCPS inventory controls are consistent with current guidance.

Finding 1: CoP Grant Funds Used for Gift Cards

OIGE found that WCPS did not comply with Blueprint standards when purchasing gift cards with CoP grant funds.

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."

Of the forty transactions reviewed, OIGE noted a $3,220 transaction for gift cards, $500 of this purchase was made using CoP funds for Ruth Ann Monroe ES. The March 2024 MSDE spending guidance, examples of the "Not Allowable Expenses" section, included gift cards. The testing showed that WCPS used gift cards as incentives/engagement.

OIGE reviewed the WCPS School Accounting Manual, which states that all gift cards must be signed by the recipients upon distribution. The Manual also reflects that the use of gift cards for student incentive programs is strongly discouraged. When queried about this, WCPS staff advised that the gift card policy remains in effect, but that purchasing gift cards with CoP funds has been discontinued since fiscal year 2022.

WCPS staff reported an extensive gift card inventory to OIGE, noting more than 660 gift cards had been purchased using CoP funds. Currently, approximately 45 gift cards remain active and stored in a locked drawer at the WCPS Center for Education Services central office. WCPS staff advised that gift card balances will be used directly with the specific vendors (e.g., Walmart, Target, Amazon) to restock WCPS food pantries and clothing closets in school buildings.

Recommendation #2

In accordance with the March 2024 MSDE spending guidance, WCPS should continue to follow its policies specifically designed to prevent the purchase of gift cards with CoP funds that were established in FY 2022.

Unused CoP Funds:

The OIGE's review of CoP personnel grant funds used to hire critical program personnel staff found that approximately $3 million was allocated to the WCPS in scope from FY 2021 to FY 2022, and that approximately $475,000, or 16%, went unused. See Exhibit D below for details:

Exhibit D: Personnel Grant Data for Fiscal Years 2021 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
Washington	2021	1,244,165	1,244,165	-	**-**
	2022	1,741,831	1,267,031	474,800	27%
Total		**$2,985,996**	**$2,511,196**	**$474,800**	**16%**

The OIGE's review of CoP per-pupil grant funds revealed that $693,793 was allocated to WCPS in FY 2022, and $246,250 (35%) went unused during the grant period. See Exhibit E below for details:

Exhibit E: 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
Washington	693,793	447,543	246,250	35%

WCPS faced several challenges during the pandemic, including difficulties with staff hiring and securing contractors to cover the hours needed for the CoP program. WCPS hired critical program staff and convened meetings with school staff to discuss CoP fund spending. Despite these efforts, challenges persisted, particularly in contracting health care staff for after-school events.

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.

Unspent CoP Funds:

OIGE's review of final AFRs found that WCPS had received $345,903 in CoP grant funds in FY 2022, which ultimately went unspent.[8] WCPS returned the funds to MSDE on July 27, 2023

At the time of the MSDE investigative audit, MSDE neither provided nor confirmed the existence of a policy or procedure for handling funds returned to MSDE by LEAs. In response to Finding 4: Returned CoP in 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 the 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 for complete reporting. However, there is no requirement

[8] The final AFRs indicate the Amount Due to MSDE or to the LEA upon finalization, see Exhibit B on page 9 for an example.

to report the balance of individual funds separately, which is typically reported in aggregate with other unrestricted funds.

Recommendation #3

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

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MARYLAND OFFICE OF THE
INSPECTOR GENERAL FOR EDUCATION

Investigative Audit Recommendation Response Form

Investigative Audit Number: 23-0008-A
Investigative Audit Title: Washington County Public Schools (WCPS) Management and Oversight of the Concentration of Poverty Grant

Recommendation 1
During the audit period, WCPS complied with its existing inventory control policies and procedures. In alignment with the recent MSDE CoP spending guidance and the established State of Maryland DGS guidance on tagging, WCPS should update their inventory controls to reflect that sensitive items purchased with CoP funds should be labeled "Property of Community Schools." Additionally, these items should be subject to an annual physical inventory. Updating procedures to incorporate these measures will help ensure WCPS inventory controls are consistent with current guidance.

WCPS Response:

Opinion (Concur/Non-Concur)	**Correction Action Plan** (Provide Narrative Response*)	**Current Status of Corrective Action** (Implemented/Partially Implemented/Not Yet Implemented)	**Estimated Date of Full Implementation of Corrective Action**
Concur	**WCPS currently has a requirement to tag sensitive computer devices (regardless of cost) and to tag equipment purchased that had a cost of $5,000 or more under existing policies. We will begin adding another sticker tag to sensitive items that have been purchased with COP funds for inventory tracking of those items in each COP school.**	**Not Yet Implemented.**	**October 2026**

*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, WCPS should continue to follow its policies specifically designed to prevent the purchase of gift cards with CoP funds that were established in FY 2022.

WCPS Response:

Opinion (Concur/Non-Concur)	**Correction Action Plan** (Provide Narrative Response*)	**Current Status of Corrective Action** (Implemented/Partially Implemented/Not Yet Implemented)	**Estimated Date of Full Implementation of Corrective Action**
Concur	**WCPS has already begun the policy of not allowing COP funds to be used for the purchase of gift cards as previously mentioned and plans to continue that policy.**	**Implemented**	**June/July 2022**

*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, WCPS should report, as a specific fund balance carried over from prior years, the amount of unused CoP funds. This information will ensure transparency and allow the Local government to monitor and address the potential underutilization of allocated funds.

WCPS Response:

Opinion (Concur/Non-Concur)	**Correction Action Plan** (Provide Narrative Response*)	**Current Status of Corrective Action** (Implemented/Partially Implemented/Not Yet Implemented)	**Estimated Date of Full Implementation of Corrective Action**
Concur	**The school system tracks Concentration of Poverty (COP) carryover funds within its restricted grant structure, ensuring that all related revenues and expenditures are clearly segregated and monitored. COP funding is accounted for through distinct grant allocations established for each fiscal year, with personnel-based expenditures and per pupil expenditures tracked separately to maintain transparency and accuracy. These grant allocations and available balances are periodically shared with the Board of Education's Finance Committee as part of a larger grants report. In addition, financial activity is monitored at the individual school and program level, allowing for detailed oversight by location.** **Our Enterprise Resource Planning (ERP) system serves as the primary system of record, supplemented by internal spreadsheets to support grant-level tracking and reconciliation. At the conclusion of each fiscal year, remaining balances within COP grants are identified and**	**Implemented**	**Complete**

	documented through our accrued deferred revenue spreadsheet that is provided to our annual external auditors. This process ensures that carryover amounts are accurately calculated and properly rolled forward into the subsequent fiscal year in accordance with applicable guidelines. **These balances are communicated to external auditors annually as part of our year-end review process to ensure compliance and consistency in reporting. As part of our broader financial transparency practices, the school system may share COP carryover amounts with local government stakeholders, as appropriate.**		

*If applicable, please include attachments that may provide better context regarding planned corrective actions.