

# Financial Management Practices Audit Report

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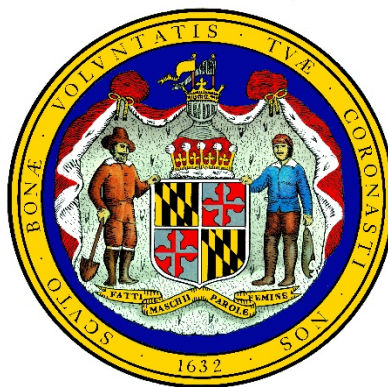
## Worcester County Public Schools

February 2026

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### Public Notice

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



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## DEPARTMENT OF LEGISLATIVE SERVICES

OFFICE OF LEGISLATIVE AUDITS  
MARYLAND GENERAL ASSEMBLY

February 23, 2026

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

Ladies and Gentlemen:

We conducted an audit of the financial management practices of the Worcester County Public Schools (WCPS) 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 WCPS' 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 identified several procurement and disbursement deficiencies, including questionable procurement activity involving a management employee, which we referred to the Office of the State Prosecutor (OSP). Due to the referral, we will issue a separate audit report with the procurement and disbursement findings at a later date. A referral to the OSP does not mean that a criminal act has actually occurred or that criminal charges will be filed.

Our audit also disclosed that WCPS did not always perform a newly required screening for positions involving direct contact with minors. Specifically, WCPS had not performed the screening as of October 3, 2025 for 6 of the 10 employees tested who had been employed for periods ranging from 39 to 450 days.

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

the referenced definition. The specifics of the cybersecurity findings were previously communicated to those parties responsible for acting on our recommendations.

Finally, our audit disclosed that certain elements used to determine payment amounts to bus contractors could not be supported or did not consider available fuel tax credits. Also, WCPS did not adequately monitor the performance of its third-party administrator that provides health care claims processing services. These conditions were commented on in our prior report but not corrected.

WCPS' response to this audit is included as an appendix to this report. Consistent with State law, we have redacted the elements of WCPS' response related to the cybersecurity audit findings. We reviewed the response to our findings and related recommendations, and have concluded that the corrective actions identified are sufficient to address all issues.

We wish to acknowledge the cooperation extended to us during the course of this audit by WCPS.

Respectfully submitted,

*Brian S. Tanen*

Brian S. Tanen, CPA, CFE  
Legislative Auditor

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# **Background Information**

## **Statistical Overview**

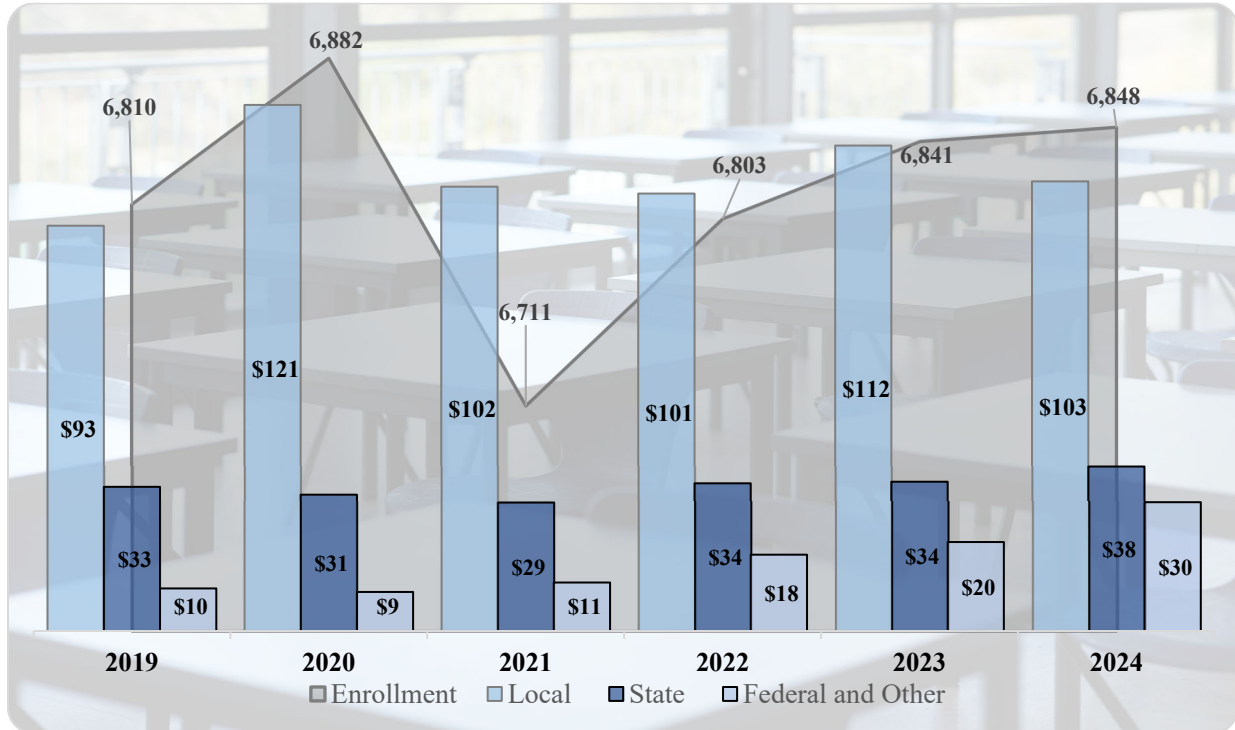
### **Enrollment**

According to student enrollment records compiled by the Maryland State Department of Education (MSDE), Worcester County Public Schools (WCPS) ranks 18<sup>th</sup> in student enrollment among the 24 public school systems in Maryland. Fiscal year 2024 full-time student enrollment was 6,848 students. WCPS had 14 schools, consisting of 5 elementary, 1 intermediate, 3 middle, 3 high schools, and 2 other types of schools (including vocational and special).

### **Funding**

WCPS revenues consist primarily of funds received from Worcester County, the State, and federal government. According to the WCPS' audited financial statements, revenues from all sources totaled approximately \$170.7 million in fiscal year 2024, including \$37.8 million from the State. See Figure 1 for WCPS' 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**  
**WCPS Enrollment and Funding by Source**  
**Fiscal Years 2019 through 2024**  
 (dollar amounts in millions)



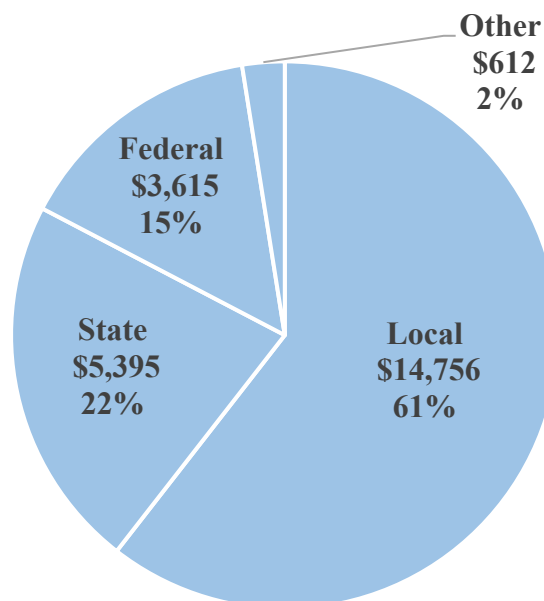
State funding for fiscal year 2024 included:

- \$27.4 million for Foundation Formula Grants
- \$6.7 million for the State-share of employee pension costs
- \$3.7 million for Other State funding

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



**Figure 2**  
**WCPS' Revenue Sources Per Enrolled Student**  
**Fiscal Year 2024**



Source: WCPS' 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.<sup>1</sup> Chapter 771, Laws of Maryland, 2019, effective June 1, 2019, established principles of Blueprint that are intended to transform Maryland's early childhood, primary, and secondary education system to the levels of the highest-performing systems. Blueprint specifies how funding is calculated to support programs and initiatives from prekindergarten through college and career.

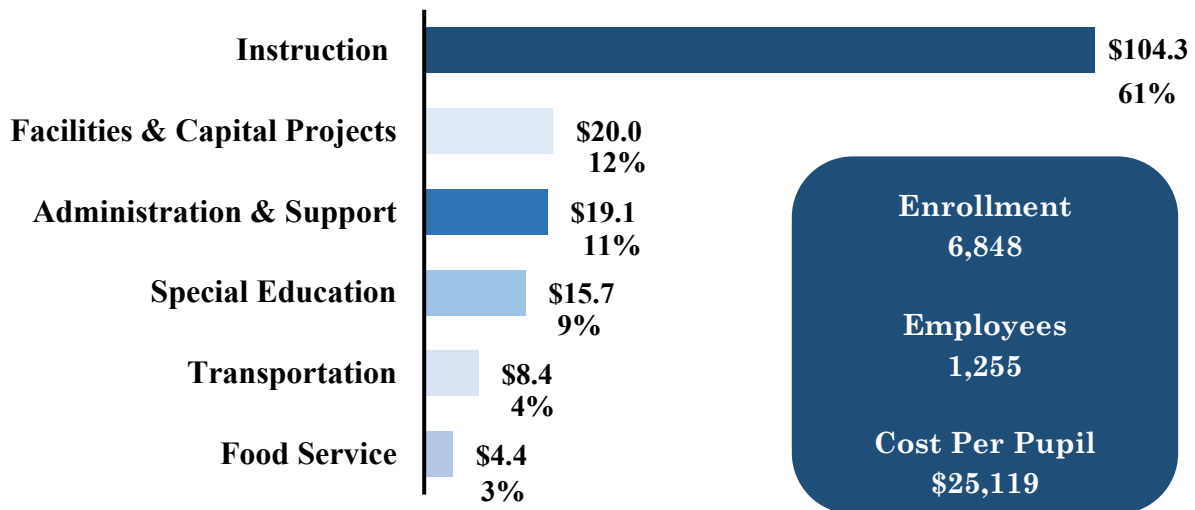
Blueprint allocates funding to schools based on a weighted-student formula. The funding formula provides resources to local education agencies based on the number of students enrolled at each school (known as Foundation Aid) and the characteristics of those students (such as, Special Education, Concentration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

<sup>1</sup> 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.

## Expenditures

According to WCPS' audited financial statements, fiscal year 2024 expenditures were approximately \$172 million. The largest expenditure category was salaries and wages, including benefits, which accounted for approximately 72 percent of total expenditures during fiscal year 2024. According to MSDE records, during the 2023-2024 school year, WCPS had 1,255 full-time equivalent positions, which consisted of 916 instructional and 339 non-instructional. Instruction accounted for 61 percent of WCPS' expenditures on a categorical basis (see Figure 3).

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



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

## Oversight

WCPS is governed by a local school board, consisting of seven elected voting members and three non-voting student members. MSDE exercises considerable oversight of WCPS 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 WCPS to comply with the requirements and mandates of federal law. The Worcester County government also exercises authority over WCPS primarily through the review and approval of WCPS' 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 two public reports related to WCPS reviews and investigations. We considered these reports during our current audit.

## **External Audits**

As required by State law, WCPS 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 WCPS 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 WCPS' control over financial reporting and its tests of WCPS' 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 WCPS' 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 WCPS 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.

WCPS 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 and explaining the type of data that was breached. We determined that all the WCPS student and educator records were included in the data breach including personally identifiable information records.

## **Questionable Procurement Activity**

During our fieldwork, we identified questionable purchases by a management employee which we referred to the Office of the State Prosecutor (OSP). A referral to the OSP does not mean that a criminal act has actually occurred or that criminal charges will be filed.

## **Status of Findings From Preceding Audit Report**

In accordance with Chapter 261, 2016 Laws of Maryland, WCPS obtained an exemption on December 6, 2016 from the 6-year audit cycle covering fiscal years 2017 to 2022. Therefore, our most recent audit report was dated June 6, 2017. Based on our current assessment of significance and risk relative to our audit objectives, our audit included a review to determine the status of 16 of the 19 findings contained in the June 6, 2017 report. The status of three of these findings related to purchasing activity and will be addressed in the above noted separate audit report. See Figure 4 for the results of our review.

**Figure 4**  
**Status of Preceding Findings**

| <b>Preceding Finding</b> | <b>Finding Description</b>                                                                                                                                                                                                  | <b>Implementation Status</b>           |
|--------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|
| Finding 1                | Adequate accountability and control over cash receipts had not been established. For example, collections were not recorded upon receipt and there was no independent verification that certain collections were deposited. | Not repeated<br>(Not followed up on)   |
| Finding 2                | Redacted cybersecurity-related finding. <sup>2</sup>                                                                                                                                                                        | Status Redacted <sup>2</sup>           |
| Finding 6                | Redacted cybersecurity-related finding. <sup>2</sup>                                                                                                                                                                        | Status Redacted <sup>2</sup>           |
| Finding 7                | WCPS had not established comprehensive equipment policies, and appropriate controls and recordkeeping requirements.                                                                                                         | Not repeated                           |
| Finding 8                | Redacted cybersecurity-related finding. <sup>2</sup>                                                                                                                                                                        | Status Redacted <sup>2</sup>           |
| Finding 9                | Redacted cybersecurity-related finding. <sup>2</sup>                                                                                                                                                                        | Status Redacted <sup>2</sup>           |
| Finding 10               | Redacted cybersecurity-related finding. <sup>2</sup>                                                                                                                                                                        | Status Redacted <sup>2</sup>           |
| Finding 11               | Redacted cybersecurity-related finding. <sup>2</sup>                                                                                                                                                                        | Status Redacted <sup>2</sup>           |
| Finding 12               | WCPS did not establish comprehensive bus routing procedures and did not periodically perform a system-wide analysis of bus routes to maximize efficiency.                                                                   | Not repeated                           |
| Finding 13               | WCPS had not established a formal methodology to calculate its per vehicle allotment rate, and payments to bus contractors included elements that did not consider market conditions, actual costs, or available discounts. | <b>Repeated</b><br>(Current Finding 6) |
| Finding 14               | WCPS did not ensure the accuracy of contractor reported manifest mileage, which was used to compute certain payments to bus contractors.                                                                                    | Not repeated                           |
| Finding 15               | Internal controls over payments to bus contractors were not adequate, as there was no independent review and approval of payment calculations.                                                                              | Not repeated                           |
| Finding 16               | WCPS had not established adequate accountability and control over school cafeteria cash receipts.                                                                                                                           | Not repeated<br>(Not followed up on)   |

<sup>2</sup> 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.

| <b>Figure 4</b><br><b>Status of Preceding Findings</b> |                                                                                                                                                                                                                          |                                        |
|--------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|
| <b>Preceding Finding</b>                               | <b>Finding Description</b>                                                                                                                                                                                               | <b>Implementation Status</b>           |
| Finding 17                                             | Financial disclosure statements were not always filed or filed timely, as required.                                                                                                                                      | Not repeated                           |
| Finding 18                                             | WCPS had not pursued the competitive procurement of its healthcare contracts for administrative services and stop-loss coverage since 1967 and did not receive copies or obtain Board approval of the annual agreements. | Not repeated                           |
| Finding 19                                             | WCPS did not ensure the propriety of employee and retiree health care claims paid, and did not verify that stop-loss insurance was correctly applied and plan administrative fees were properly charged.                 | <b>Repeated</b><br>(Current Finding 7) |

## **Findings and Recommendations**

### **Revenue and Billing Cycle**

#### **Background**

Worcester County Public Schools (WCPS) revenues consist primarily of funds received from Worcester County, the State, and the federal government. According to WCPS' audited financial statements, revenues from all sources totaled approximately \$170.7 million in fiscal year 2024, including \$37.8 million from the State.

#### **External Audits**

There were similarities between the work of the independent certified public accounting firm (CPA) that audited WCPS' 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 approximately \$3.1 million and the June 30, 2024 fund balance was \$1.5 million. Based on our assessment of the relative significance of this activity, we did not review the procedures and controls over these funds.

#### **Conclusion**

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

WCPS 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 WCPS' Single Audit, fiscal year 2024 (latest available at time of our audit) federal expenditures totaled \$19.7 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 \$7.7 million in fiscal year 2020 to \$19.7 million in fiscal year 2024 (156 percent), due to COVID-19 pandemic grant funding. Specifically, according to WCPS' records, as of June 30, 2024, WCPS was awarded federal COVID-19 pandemic grant funds totaling \$27.8 million to be distributed over fiscal years 2020 to 2024 under the Coronavirus Aid, Relief, and Economic Security Act, the Coronavirus Response and Relief Supplemental Appropriations Act, and the American Rescue Plan.

As of June 30, 2024, according to WCPS records, expenditures related to these COVID-19 grants totaled \$25.2 million, from March 2020 to June 2024 and were primarily comprised of staffing, instructional software and materials, and laptops. WCPS 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 WCPS' federal grants and the objectives of our audit in this area. In addition to expressing an opinion on WCPS 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**

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

The Maryland State Department of Education's (MSDE) Interagency Medicaid Monitoring Team issued a report in July 2024 of the results of its review of 50 student case files for 78 criteria. The report did not specifically address the propriety of Medicaid billing but overall concluded that WCPS was generally compliant with most criteria. For example, WCPS was 100 percent compliant with 75 criteria and from 90 to 99 percent compliant with 3 criteria.

According to audited financial statements, fiscal year 2024 state and federal reimbursements for Medicaid-subsidized services totaled approximately \$773,000, which was an increase of approximately \$539,000 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**

### **Audit Coverage**

Our audit identified several procurement and disbursement deficiencies, including questionable procurement activity involving a management employee, which we referred to the Office of the State Prosecutor (OSP). Due to the referral, we will issue a separate audit report with the procurement and disbursement findings at a later date. A referral to the OSP does not mean that a criminal act has actually occurred or that criminal charges will be filed.

## **Human Resources and Payroll**

### **Background**

Payroll expense represents the largest single cost component in the WCPS budget. According to WCPS' records, fiscal year 2024 salary, wage, and benefit costs totaled approximately \$123 million, representing 72 percent of total expenditures. According to MSDE reports, during the 2023-2024 school year, WCPS had 1,255 full-time equivalent positions, which consisted of 916 instructional and 339 non-instructional positions.

WCPS uses automated systems to maintain human resources information, record employee time, track employee leave usage, and process and record payroll transactions. The system generates payroll checks and direct deposit advices. Payroll processing involves both automated processes (such as compiling leave and running edit reports) and manual processes (such as data entry of new employee information).

#### **Finding 1**

**WCPS did not always perform a newly required screening for positions involving direct contact with minors.**

#### **Analysis**

WCPS did not always perform the required screening for positions involving direct contact with minors (such as, care, supervision, guidance, or control of, or routine interaction with). State law effective July 1, 2019 (and updated July 1, 2021) requires local education agencies to provide screening of certain applicants. Specifically, the schools must obtain information from an applicant for positions that involve direct contact with a minor, including a written statement whether they were the subject of a child sexual abuse or sexual misconduct investigation by any employer that resulted in a finding.<sup>3</sup> The law also requires local education agencies to contact the applicant's current or prior employers and obtain the same information.

According to WCPS' records, during fiscal year 2025, WCPS hired 317 individuals that were assigned to schools or student programs that would have contact with minors. We arbitrarily tested 10 employees hired after the aforementioned law went into effect. Our test disclosed that WCPS had not performed the screening for 6 of these employees who had been employed for periods ranging from 39 to 450 days as of October 3, 2025. In addition, 2 screenings were performed 73 to 392 days after employment. Without a proper screening, WCPS lacks assurance regarding the conduct of the individuals it hired.

#### **Recommendation 1**

**We recommend that WCPS comply with State law and perform and document the required screening for positions involving direct contact with minors, including those noted above.**

---

<sup>3</sup> This is in addition to existing requirements to obtain a criminal background check.

## **Equipment Control and Accountability**

### **Background**

According to WCPS' audited financial statements, the undepreciated value of its capital equipment inventory (furniture, fixtures, vehicles, and equipment) totaled \$15.4 million as of June 30, 2024. WCPS maintains centralized automated records for all equipment including assets with a cost of \$5,000 or more that are capitalized for financial statement purposes. Control and recordkeeping of laptop computers and tablets assigned to schools, students, and employees was maintained in a database by the Department of Information Technology regardless of cost. WCPS has established written equipment policies.

### **Conclusion**

Our audit did not disclose any significant deficiencies in the design or operation of WCPS' internal control over financial-related areas of operations for equipment. Our audit also did not disclose any significant instances of noncompliance with applicable laws, rules, or regulations.

## **Information Technology**

We determined that the Information Technology section, including Findings 2 through 5 related to “cybersecurity,” as defined by the State Finance and Procurement Article, Section 3.5-301(c) of the Annotated Code of Maryland, and therefore are subject to redaction from the publicly available audit report in accordance with the State Government Article 2-1224(i). Consequently, the specifics of the following findings, including the analysis, related recommendations, along with WCPS' responses, have been redacted from this report copy.

### **Finding 2**

**Redacted cybersecurity-related finding.**

### **Finding 3**

**Redacted cybersecurity-related finding.**

### **Finding 4**

**Redacted cybersecurity-related finding.**

**Finding 5**  
**Redacted cybersecurity-related finding.**

## **Facilities Construction, Renovation, and Maintenance**

### **Background**

WCPS employs a staff of 106 employees to maintain its 14 schools and an administrative and support office. According to WCPS' fiscal year 2026 Capital Improvement Plan, necessary construction, major renovations, and systemic improvements to WCPS' facilities over the next six years are estimated to cost \$190.6 million.

Our review of nine construction-related procurements (selected based on materiality) awarded during fiscal years 2022 through 2025 totaling approximately \$18.1 million disclosed various issues with WCPS purchasing policy and procedures and certain of these procurements that will be addressed in the aforementioned separate report. In addition, our test of 18 invoices totaling \$7.7 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**

WCPS has processes in place to promote ongoing facility maintenance and to minimize energy costs. For example, WCPS provides scheduled maintenance of its buildings and equipment with the goal of preventing emergency repairs. In addition, WCPS participates in a consortium with other Eastern Shore area entities to purchase energy at the best possible terms. WCPS also utilizes a vendor energy management program to monitor and control heating and air conditioning usage and a utility billing management system to monitor related costs.

WCPS also has written policies that include best practices that encourage both students and employees to be aware of and limit their energy use, and monitors building energy on a centralized basis. According to consortium records (which we did not audit), WCPS saved approximately \$1 million through energy cost avoidance from fiscal years 2015 to 2024.

### **Conclusion**

Our audit did not disclose any significant deficiencies in the design or operation of WCPS' internal control over financial-related areas of operations for facilities

construction, renovations, 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, WCPS had approximately 6,300 students eligible to receive student transportation services during fiscal year 2024. These students were transported using 69 contractor-owned buses. WCPS reported that 1.7 million route miles were traveled to transport students for the 2023-2024 school year. According to WCPS' records, fiscal year 2024 transportation costs totaled approximately \$8.4 million, of which \$7.3 million (approximately 87 percent) were payments for contracted bus services for various costs.

### **Finding 6**

**Certain elements of bus contract payments could not be supported or did not consider available fuel tax credits.**

### **Analysis**

Certain elements used to determine payment amounts to bus contractors could not be supported or did not consider available fuel tax credits. For example, our review of the contract payments disclosed the following conditions.

- WCPS could not support the propriety of the estimated \$1.8 million it paid to bus contractors for per-mile bus maintenance costs (\$1.072 per mile) during fiscal year 2024. This rate is intended to fund the expenses incurred by the bus contractors for maintaining the bus, however no cost data was compiled and analyzed to determine what should be reimbursed to the contractors.
- WCPS did not exclude federal excise and State fuel taxes from payments to bus contractors. WCPS pays contractors for fuel usage using a monthly average of diesel fuel prices, including taxes, and dividing by a miles per gallon rate established by WCPS. However, according to federal and State law, WCPS contractors are exempt from the federal excise tax and State fuel tax and are able to receive a credit for fuel taxes paid when they file their income tax returns. If WCPS had considered the exemption amount in its calculation, payments to the contractors would have been approximately \$1 million lower for fiscal years 2020 through 2024.

Similar conditions were commented upon in our preceding audit report. In response to that report, WCPS indicated that it would consider actual costs in determining maintenance rates and consider excluding fuel excise taxes. However, as noted above, WCPS did not implement the stated corrective actions.

#### **Recommendation 6**

**We recommend that WCPS**

- a. use actual bus operating costs as a basis for establishing contractor rates for per mile maintenance costs or otherwise develop supportable cost estimates as the basis for per mile maintenance costs (repeat), and**
- b. exclude fuel excise taxes from contractor payments (repeat).**

### **Food Services**

#### **Background**

According to WCPS' audited financial statements, food services operating expenditures totaled \$4.4 million in fiscal year 2024, and were primarily funded with federal and State funds totaling \$3.9 million. The federal funds are received from the United States Department of Agriculture based on an established rate per meals served. WCPS 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 WCPS' audited financial statements, the balance in WCPS' Food Services Fund totaled approximately \$1.7 million 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 Worcester County Board of Education (the Board) is composed of seven elected members and three non-voting student members. The Board contracted with a certified public accounting firm to conduct independent audits of the WCPS financial statements and federal programs. To assist in its oversight of various areas of WCPS operation and governance, the Board has established an

Ethics Panel and School Advisory Committees (one at each school), which are structured groups that provide advice to the school system on certain issues.

### **WCPS 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 WCPS 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, the Superintendent, and other administrators (such as supervisors) by April 30th of each year.

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

### **Conclusion**

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

## **Management of Other Risks**

### **Healthcare Background**

WCPS obtains its healthcare services through the Worcester County Government (WCG). WCPS is self-insured for healthcare costs up to a designated stop-loss amount (\$300,000 per WCPS participant per plan year). Specifically, WCG procures the services of a third-party administrator (TPA) for health care claims processing services for employee and retiree medical (including vision), dental, and prescription coverage, and for stop-loss insurance coverage. The TPA bills WCPS 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 WCPS. WCPS pays its TPA an administrative fee for these services.

As of June 30, 2024, WCPS provided health insurance benefits to 1,177 enrolled employees, dependents, and retirees. According to WCPS' records, healthcare expenditures totaled approximately \$20.3 million, including administrative fees



totaling \$632,400, and stop-loss insurance coverage totaling \$1.6 million for fiscal year 2024.

#### **Finding 7**

**WCPS did not adequately monitor the performance of its TPA to verify the propriety of amounts paid and compliance with performance measures.**

#### **Analysis**

WCPS did not adequately monitor the performance of its TPA to verify the propriety of amounts paid and compliance with performance measures.

- WCPS 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 contracts. Our review, based on the listed participant counts on certain monthly invoices and the related contract rates, did not disclose significant variances.
- WCPS did not audit, or otherwise verify, the accuracy of TPA self-reported compliance with performance measures. The TPA healthcare contract included 6 performance measures relating to enrollment timeliness, customer service, and claims processing. Additionally, the contract allowed for the assessment of penalties up to \$102,048 annually, if the TPA did not meet the performance measures. The TPA reported self-assessed penalties of \$17,008 in fiscal year 2024 based on its reported compliance, but WCPS did not have a process to verify the TPA's reported compliance.

Similar conditions regarding the lack of detailed claims data and not comparing its record of enrolled participants to invoices from the TPA was noted in our preceding audit report. In response to that report, WCPS agreed to consider implementing additional controls to verify amounts paid for health insurance. However, as stated above, the controls were not implemented.

#### **Recommendation 7**

**We recommend that WCPS**

- 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); and**
- b. 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.**

## **Audit Scope, Objectives, and Methodology**

We have conducted a performance audit of the Worcester County Public Schools (WCPS). 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. In accordance with Chapter 261, 2016 Laws of Maryland, WCPS obtained an exemption from the 6-year audit cycle covering fiscal years 2017 to 2022. 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 WCPS procedures and controls were effective in accounting for and safeguarding its assets.
2. Evaluate whether the WCPS policies provided for the efficient use of financial resources.

In planning and conducting our audit of WCPS, 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,<sup>4</sup> 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 WCPS dated June 6, 2017, was limited to those findings that were applicable to the current audit scope for each of the 11 areas.

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<sup>4</sup> Conclusions related to audit coverage of procurement and disbursements will be included in a separate audit report.

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 WCPS 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 WCPS. We also interviewed personnel at WCPS 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 WCPS operations. We also tested transactions and performed other auditing procedures that we considered necessary to achieve our objectives, generally for the period from January 1, 2023 to June 30, 2025

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

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

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

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

We conducted our fieldwork from July 2025 to November 2025. WCPS’ 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 WCPS regarding the results of our review of its response.

Administration

ANNETTE E. WALLACE, Ed.D.  
Superintendent of Schools

C. DWAYNE ABT, Ed.D.  
Chief Operations & Human Relations  
Officer

MATTHEW J. RECORD, Ed.D.  
Chief Safety & Academic Officer, Gr. 9-12

DENISE R. SHORTS  
Chief Academic Officer, Gr. PK-8

VINCENT E. TOLBERT, CPA  
Chief Financial Officer



APPENDIX

Board Members

TODD A. FERRANTE  
President

WILLIAM E. BUCHANAN  
Vice-President

JACKIE CUTLIP

JON M. ANDES, Ed.D.

WILLIAM L. GORDY

ELENA J. MCCOMAS

DONALD C. SMACK, SR.

**The Board of Education of Worcester County**  
6270 Worcester Highway | Newark, Maryland 21841  
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February 20, 2026

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

Dear Mr. Tanen:

We are writing this letter to submit our responses to the Office of Legislative Audits' report findings dated February 2026.

We have completed our responses on the enclosed Agency Response Form as provided to us from your office.

Please acknowledge receipt so that we may ensure our responses have been accepted.

Regards,

Annette Wallace, Ed.D.  
Superintendent of Schools

# Worcester County Public Schools

## Agency Response Form

### Human Resources and Payroll

#### **Finding 1**

**WCPS did not always perform a newly required screening for positions involving direct contact with minors.**

**We recommend that WCPS comply with State law and perform and document the required screening for positions involving direct contact with minors, including those noted above.**

| Agency Response                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                            |                   |
|----------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|-------------------|
| Analysis                                                             | Factually Accurate                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                            |                   |
| Please provide additional comments as deemed necessary.              | WCPS recognizes the importance of this statutory requirement and shares the State's commitment to ensuring student safety                                                                                                                                                                                                                                                                                                                                            |                            |                   |
| Recommendation 1                                                     | Agree                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Estimated Completion Date: | Immediate-Ongoing |
| Please provide details of corrective action or explain disagreement. | Effective immediately, WCPS has taken corrective action to ensure full compliance with State law requirements effective July 1, 2019, as amended July 1, 2021. Specifically, WCPS has reinforced Human Resources hiring procedures to require completion and documentation of the mandated screening for all applicants being considered for positions involving direct contact with minors, including care, supervision, guidance, control, or routine interaction. |                            |                   |
|                                                                      | WCPS will implement administrative oversight controls to ensure compliance, including centralized review by Human Resources staff before final employment clearance is granted. No applicant may be fully cleared for assignment to a school or student program without verification that the required screening has been completed or is actively in progress in accordance with State guidance.                                                                    |                            |                   |
|                                                                      | To further strengthen compliance, WCPS will provide additional training and guidance to Human Resources staff to ensure consistent understanding of statutory requirements and documentation expectations. Human Resources Administrator and Administrative Assistant will periodically review hiring files for compliance and to prevent recurrence.                                                                                                                |                            |                   |
|                                                                      | WCPS believes these corrective actions fully address the audit recommendation and will ensure sustained compliance with State law                                                                                                                                                                                                                                                                                                                                    |                            |                   |

# **Worcester County Public Schools**

## **Agency Response Form**

|  |                                                                                |
|--|--------------------------------------------------------------------------------|
|  | while reinforcing its commitment to student safety and sound hiring practices. |
|--|--------------------------------------------------------------------------------|



# **Worcester County Public Schools**

## **Agency Response Form**

### **Information Technology**

The Office of Legislative Audits (OLA) has determined that the Information Technology section, including Findings 2 through 5 related to “cybersecurity,” as defined by the State Finance and Procurement Article, Section 3.5-301(c) of the Annotated Code of Maryland, and therefore are subject to redaction from the publicly available audit report in accordance with the State Government Article 2-1224(i). Although the specifics of the following findings, including the analysis, related recommendations, along with WCPS’ responses, have been redacted from this report copy, WCPS’ responses indicated agreement with the findings and related recommendations.

**Finding 2**  
**Redacted cybersecurity-related finding.**

**Agency Response has been redacted by OLA.**

**Finding 3**  
**Redacted cybersecurity-related finding.**

**Agency Response has been redacted by OLA.**

**Finding 4**  
**Redacted cybersecurity-related finding.**

**Agency Response has been redacted by OLA.**

**Finding 5**  
**Redacted cybersecurity-related finding.**

**Agency Response has been redacted by OLA.**

# Worcester County Public Schools

## Agency Response Form

### Transportation Services

#### Finding 6

Certain elements of bus contract payments could not be supported or did not consider available fuel tax credits.

We recommend that WCPS

- a. use actual bus operating costs as a basis for establishing contractor rates for per mile maintenance costs or otherwise develop supportable cost estimates as the basis for per mile maintenance costs (repeat), and
- b. exclude fuel excise taxes from contractor payments (repeat).

| Agency Response                                                      |                                                                                                                                                                                                                                                                      |                            |           |
|----------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|-----------|
| Analysis                                                             | Factually Accurate                                                                                                                                                                                                                                                   |                            |           |
| Please provide additional comments as deemed necessary.              |                                                                                                                                                                                                                                                                      |                            |           |
| Recommendation 6a                                                    | Agree                                                                                                                                                                                                                                                                | Estimated Completion Date: | July 2026 |
| Please provide details of corrective action or explain disagreement. | WCPS will work to obtain from Contractors actual maintenance costs as a basis for establishing contractor rates for per mile maintenance costs or otherwise develop supportable cost estimates as the basis for per mile maintenance costs.                          |                            |           |
| Recommendation 6b                                                    | Agree                                                                                                                                                                                                                                                                | Estimated Completion Date: | July 2026 |
| Please provide details of corrective action or explain disagreement. | WCPS will examine the procedure of excluding fuel excise taxes from Bus Contractor payments. Contractor rates are approved annually by our Board as part of the budget process. Any change including the exclusion of fuel taxes would be subject to Board approval. |                            |           |

# Worcester County Public Schools

## Agency Response Form

### Management of Other Risks

#### Finding 7

WCPS did not adequately monitor the performance of its TPA to verify the propriety of amounts paid and compliance with performance measures.

We recommend that WCPS

- 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); and
- b. 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.

| Agency Response                                                      |                                                                                                                                                                                                                                                                                                                                                                       |                            |           |
|----------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|-----------|
| Analysis                                                             | Factually Accurate                                                                                                                                                                                                                                                                                                                                                    |                            |           |
| Please provide additional comments as deemed necessary.              | WCPS concurs with the finding and recommendations. As referenced in background information, the TPA's contractual relationship is with Worcester County Government. WCPS will work with our county government to strengthen oversight and ensure compliance. Our recommendations to our county government will be to implement the corrective actions provided below. |                            |           |
| Recommendation 7a                                                    | Agree                                                                                                                                                                                                                                                                                                                                                                 | Estimated Completion Date: | July 2026 |
| Please provide details of corrective action or explain disagreement. | WCPS will meet and confer with its Third-Party Administrator (TPA) on a quarterly basis to compare WCPS enrollment records and applicable contract rates to TPA invoices, ensuring the accuracy and propriety of administrative fees and monthly subscription fees billed.                                                                                            |                            |           |
| Recommendation 7b                                                    | Agree                                                                                                                                                                                                                                                                                                                                                                 | Estimated Completion Date: | Sept 2026 |
| Please provide details of corrective action or explain disagreement. | WCPS will establish a formal review process to independently assess the TPA's compliance with required performance measures at least annually. Performance criteria will be reviewed at the beginning of the plan year (September 1) and again at the close of the plan year (June 30), with penalties assessed when contractual performance goals are not met.       |                            |           |

AUDIT TEAM

**Ken H. Johanning, CPA, CFE**

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