

STATE OF MARYLAND

Single Audit Report

Year ended June 30, 2004 with Reports of Independent Auditors

State of Maryland
Single Audit Report

Year ended June 30, 2004

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Report of Independent Auditors on Financial Statements
Audited in Accordance with *Government Auditing Standards*
and Supplementary Schedule of Expenditures of Federal Awards

The Honorable William Donald Schaefer
 Comptroller of Maryland

We have audited the basic financial statements, not included herein, of the State of Maryland (the State) as of and for the year ended June 30, 2004. These basic financial statements are the responsibility of the State of Maryland's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We did not audit the financial statements of (1) Economic Development – Loan Programs; (2) Maryland State Lottery Agency; (3) Maryland Transportation Authority; (4) Economic Development – Insurance Programs; (5) State Use Industries; (6) certain foundations included in the higher education component unit; (7) Maryland Environmental Service; (8) Maryland Industrial Development Financing Authority; (9) Maryland Food Center Authority; (10) Maryland Local Government Investment Pool; (11) State Retirement and Pension System of Maryland; (12) Maryland Transit Administration Pension Plan; and (13) Deferred Compensation Plan, which represent the percentages of the assets, net assets and revenues or additions of the opinion units listed below.

	Percentage of Opinion Unit		
	Total Assets	Total Net Assets/Fund Balance	Total Revenues or Additions
Business-Type Activities:			
Economic Development – Loan Programs	52.81%	38.46%	8.59%
Maryland State Lottery Agency	3.97	.28	53.67
Maryland Transportation Authority	31.69	38.94	12.54
Economic Development – Insurance Programs	.06	2.11	.21
State Use Industries	.22	.61	1.37
	88.75%	80.40%	76.38%
Major Funds:			
Economic Development – Loan Programs	100.00%	100.00%	100.00%
Maryland State Lottery Agency	100.00%	100.00%	100.00%
Maryland Transportation Authority	100.00%	100.00%	100.00%
Aggregate Discretely Presented Component Units:			
Higher Education	11.17%	17.50%	5.40%
Maryland Environmental Service	1.21	.19	1.93

	Percentage of Opinion Unit		
	Total Assets	Total Net Assets/Fund Balance	Total Revenues or Additions
Maryland Industrial Development Financing Authority	.58	.82	.04
Maryland Food Center Authority	.34	.53	.11
	<u>13.30%</u>	<u>19.04%</u>	<u>7.48%</u>
Aggregate Remaining Fund Information:			
Economic Development – Insurance Programs	.27%	.25%	.03%
State Use Industries	.07	.07	.23
Maryland Local Government Investment Pool	4.28	4.84	29.77
State Retirement and Pension System of Maryland	85.99	89.03	32.92
Maryland Transit Administration Pension Plan	.23	.25	.21
Deferred Compensation Plan	4.69	5.30	2.80
	<u>95.53%</u>	<u>99.74%</u>	<u>65.96%</u>

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above-mentioned agencies and component units, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the State’s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State’s internal control over financial reporting. Accordingly, we and the other auditors express no such opinion. The financial statements of the Economic Development – Loan Programs (except for the Maryland Water Quality Financing Administration), the Maryland State Lottery Agency, the Maryland Transportation Authority, the Economic Development – Insurance Programs, the Maryland Industrial Development Financing Authority, the Maryland Local Government Investment Pool, the Maryland Transit Administration Pension Plan, and the Deferred Compensation Plan were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial

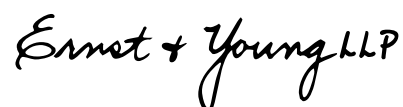
statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

As described in Note 1, the State has implemented GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units, an amendment of GASB Statement No. 14*; GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section and Technical Bulletin 2004-1 Tobacco Settlement Recognition and Financial Reporting Entity Issues*; and restated certain capital asset balances as of July 1, 2003.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2004, on our consideration of the State's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the United States Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is prepared on the basis of accounting described in Note 2 to the schedule of expenditures of federal awards and excludes the expenditures associated with the federal financial assistance programs for the Maryland Water Quality Financing Administration, an administration of the Maryland Department of the Environment that had a separate OMB Circular A-133 audit. The information in the schedule of expenditures of federal awards has been subject to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



December 3, 2004

Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of the Financial
Statements in Accordance with *Government Auditing Standards*

The Honorable William Donald Schaefer
Comptroller of Maryland

We have audited the basic financial statements of the State of Maryland (the State) as of and for the year ended June 30, 2004, and have issued our report thereon dated December 3, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our report on the basic financial statements included disclosures regarding our references to the reports of other auditors. The financial statements of the Economic Development – Loan Programs (except for the Maryland Water Quality Financing Administration), the Maryland State Lottery Agency, the Maryland Transportation Authority, the Economic Development – Insurance Programs, the Maryland Industrial Development Financing Authority, the Maryland Local Government Investment Pool, the Maryland Transit Administration Pension Plan, and the Deferred Compensation Plan were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the State's ability to initiate, record, process and report financial data consistent with the assertions of management in the basic financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as Finding 2004-1 and Finding 2004-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all

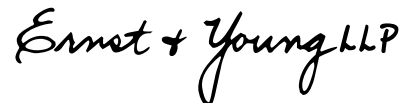
reportable conditions that are also considered to be material weaknesses. We consider the reportable condition described above in Finding 2004-2 to be a material weakness.

We noted other matters involving the internal control over financial reporting, which we have reported to the management of the State of Maryland, the University System of Maryland, Baltimore City Community College, St. Mary's College of Maryland, Morgan State University, and Maryland Department of Transportation in separate letters dated January 13, 2005, November 5, 2004, November 12, 2004, December 1, 2004, December 3, 2004, and October 21, 2004, respectively.

Compliance

As part of obtaining reasonable assurance about whether the State's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of State management, the U.S. Department of Health and Human Services (the cognizant agency), federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



December 3, 2004

Report on Compliance and on Internal Control Over Compliance in Accordance with OMB Circular A-133

The Honorable William Donald Schaefer
Comptroller of Maryland

Compliance

We have audited the compliance of the State of Maryland (the State) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The State's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the State's management. Our responsibility is to express an opinion on the State's compliance based on our audit. We did not audit the major federal programs indicated as audited by other auditors in the Summary of Auditors' Results section of the Schedule of Findings and Questioned Costs. Those major programs were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for those major programs is based on the report of other auditors.

The State's basic financial statements include the operations of the Maryland Water Quality Financing Administration, an administration of the Maryland Department of the Environment, which received federal awards that are not included in the accompanying schedule of expenditures of federal awards. Our audit, described below, did not include the operations of this administration because the State engaged other auditors to perform a separate audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion. Our audit does not provide a legal determination on the State's compliance with those requirements.

As described in Findings 2004-24 and 2004-28, in the accompanying Schedule of Findings and Questioned Costs, the State did not comply with requirements regarding eligibility that are applicable to the Medicaid Cluster. Compliance with such requirement is necessary, in our opinion, for the State to comply with the requirements applicable to this program.

In our opinion, based on our audit and the reports of other auditors, except for the noncompliance described in the preceding paragraph, the State complied, in all material respects with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2004. However, the results of our auditing procedures disclosed other instances of noncompliance with those requirements, that are required to be reported in accordance with OMB Circular A-133 and which are described in the Schedule of Findings and Questioned Costs section of this report as Findings 2004-3 to 2004-23 and 2004-25 to 2004-27.

Internal Control Over Compliance

The management of the State is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the State's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the State's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2004-3 to 2004-28.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider Findings 2004-24 and 2004-28 to be material weaknesses.

This report is intended solely for the information and use of State management, the U.S. Department of Health and Human Services (the cognizant agency), federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

March 14, 2005

Zelenkofske Axelrod LLC

Report on Compliance and on Internal Control Over Compliance in Accordance with OMB Circular A-133

The Honorable William Donald Schaefer
Controller of Maryland

Compliance

We have audited the compliance of the State of Maryland (the State) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to certain of its major federal programs for the year ended June 30, 2004. The State's major federal programs that we have audited are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the State's management. Our responsibility is to express an opinion on the State's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the State's compliance with those requirements.

As described in findings 2004-29, 2004-31, 2004-32, 2004-33 and 2004-37 in the accompanying schedule of findings and questioned costs, the State did not comply with requirements regarding cash management, reporting, earmarking and subrecipient monitoring that are applicable to its Center for Disease Control and Prevention: Investigations and Technical Assistance and Workforce Investment Act Cluster Programs. Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the State complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs that we have audited for the year ended June 30, 2004.

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Zelenkofske Axelrod LLC

Internal Control over Compliance

The management of the State is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the State's internal control over compliance with requirements that could have a direct and material effect on the major federal programs that we have audited in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the State's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as findings 2004-29 through 2004-43.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider findings 2004-29, 2004-30, 2004-31, 2004-32, 2004-33, 2004-37, 2004-39 and 2004-42 to be material weaknesses.

This report is intended solely for the information and use of State management, the U.S. Department of Health and Human Services (the cognizant agency), federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Zelenkofske Axelrod LLC

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March 14, 2005

Abrams, Foster, Nole & Williams, P.A.

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Report on Compliance and on Internal Control Over Compliance in Accordance with OMB Circular A-133

The Honorable William Donald Schaefer
Comptroller of Maryland

Compliance

We have audited the compliance of the State of Maryland (the State) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to certain of its major federal programs for the year ended June 30, 2004. The State's major federal programs that we have audited are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the State's management. Our responsibility is to express an opinion on the State's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the State's compliance with those requirements.

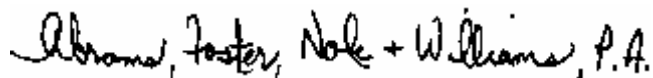
In our opinion, the State complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs that we have audited for the year ended June 30, 2004. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Item 2004-44.

Internal Control Over Compliance

The management of the State is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the State's internal control over compliance with requirements that could have a direct and material effect on the major federal programs that we have audited in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, the U.S. Department of Health and Human Services (the cognizant agency), federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Abrams, Foster, Nole & Williams, P.A.
Certified Public Accountants
Baltimore, Maryland

February 11, 2005

State of Maryland

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
02 <u>Agency for International Development (AID)</u>					
Contract/Other	02-PO532-0-00-03-00084-00	\$ -	\$ -	\$ 67,901	\$ 67,901
Pass-Through University Research Corporation International	02.Unknown	-	-	479,928	479,928
Total Pass-Through Contract/Other		-	-	547,829	547,829
Agency for International Development	02.RD	530,048	-	-	530,048
Pass-Through Supreme Council of Universities, Foreign Relations	02.RD	1,163	-	-	1,163
Pass-Through United Negro College Fund	02.TELP-UMES	-	-	(92)	(92)
Pass-Through University Research Corporation International	02.Unknown	3,440,509	-	-	3,440,509
Total Pass-Through Agency for International Development		3,441,672	-	(92)	3,441,580
Total Agency for International Development		3,971,720	-	547,737	4,519,457
10 <u>Department of Agriculture (DOA)</u>					
Contract/Other	10.RBS-03-22	-	-	84,781	84,781
Contract/Other	10.24020-0526002033	-	-	87	87
DOA Contracts / Other: Pass-Through University of Missouri	10.43-6003859	-	-	1,663	1,663
Total Pass-Through Grants – Contract/Other		-	-	86,531	86,531
Agricultural Research: Basic and Applied Research	10.001	-	-	299,341	299,341
Agricultural Research: Basic and Applied Research	10.001	36,800	-	-	36,800
Pass-Through Auburn University	10.001	-	-	75,658	75,658
Total Agricultural Research: Basic and Applied Research		36,800	-	374,999	411,799
Plant and Animal Disease, Pest Control and Animal Care	10.025	-	-	530,667	530,667
Commodity Loans and Loan Deficiency Payments	10.051	-	-	115,379	115,379
Federal-State Marketing Improvement Program	10.156	-	-	95,526	95,526
Market Protection and Promotion	10.163	-	-	106,472	106,472
Grants for Agricultural Research, Special Research Grants	10.200	-	-	71,809	71,809
Pass-Through University of Vermont	10.200	-	-	73,382	73,382
Total Grants for Agricultural Research, Special Research Grants	10.200	-	-	145,191	145,191
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205	-	-	62,725	62,725
Grants for Agricultural Research: Competitive Research Grants	10.206	-	-	93,307	93,307
Food and Agricultural Sciences National Needs Graduate Fellowship Grants	10.210	-	-	76,197	76,197
Sustainable Agriculture Research and Education	10.215	-	-	9,996	9,996
1890 Institution Capacity Building Grants	10.216	-	-	362,914	362,914
Higher Education Challenge Grants – Pass-Through Grants – University of Missouri-Columbia	10.217	-	-	14,419	14,419
Initiative for Future Agriculture and Food Systems	10.302	-	-	264,555	264,555
Integrated Programs	10.303	-	-	389,581	389,581
National Rural Development Partnership	10.353	-	-	76,584	76,584
Rural Housing Preservation Grants	10.433	-	-	59,175	59,175
Crop Insurance	10.450	-	-	167,835	167,835
Egg Products Inspection	10.476	-	-	1,434	1,434
Cooperative Extension Service	10.500	-	-	4,786,726	4,786,726
Pass-Through University of Delaware	10.500	-	-	3,310	3,310
Total Cooperative Extension Service	10.500	-	-	4,790,036	4,790,036
Food Donation	10.550	-	-	14,615,000	14,615,000

State of Maryland

Schedule of Expenditures of Federal Awards (continued)

	Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
10	Department of Agriculture (DOA) (continued)					
	Food Stamp Cluster:					
	Food Stamps	10.551	\$ -	\$ -	\$ 283,760,582	\$ 283,760,582
	State Administrative Matching Grants for Food Stamp Program	10.561	-	-	35,516,877	35,516,877
	Total Food Stamp Cluster		-	-	319,277,459	319,277,459
	Child Nutrition Cluster:					
	School Breakfast Program	10.553	-	-	21,873,644	21,873,644
	National School Lunch Program (NSLP)	10.555	-	-	82,694,006	82,694,006
	Special Milk Program for Children	10.556	-	-	475,994	475,994
	Summer Food Service Program for Children	10.559	-	-	4,068,928	4,068,928
	Total Child Nutrition Cluster		-	-	109,112,572	109,112,572
	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	-	-	59,530,059	59,530,059
	Child and Adult Care Food Program	10.558	-	-	32,399,661	32,399,661
	State Administrative Expenses for Child Nutrition	10.560	-	-	1,914,915	1,914,915
	Nutrition Education and Training Program	10.564	-	-	94,281	94,281
	Emergency Food Assistance Cluster:					
	Emergency Food Assistance Program (Administrative Costs)	10.568	-	-	806,810	806,810
	Emergency Food Assistance Program (Food Commodities)	10.569	-	-	3,667,297	3,667,297
	Total Emergency Food Assistance Cluster		-	-	4,474,107	4,474,107
	WIC Farmers' Market Nutrition Program (FMNP)	10.572	-	-	235,645	235,645
	Farmers Market Nutrition Program (SFMNP)	10.576	-	-	96,593	96,593
	Agricultural Mediation Program	10.645	-	-	54,309	54,309
	Cooperative Forestry Assistance	10.664	-	-	2,062,583	2,062,583
	National Agricultural Library	10.700	-	-	8,261	8,261
	Rural Business Enterprise Grants	10.769	-	-	9,365	9,365
	Watershed Surveys and Planning	10.906	16,264	-	-	16,264
	Farmland Protection Program	10.913	-	-	4,576,966	4,576,966
	Agricultural Statistics Reports	10.950	-	-	16,675	16,675
	Technical Agricultural Assistance	10.960	-	-	608,022	608,022
	Agricultural Marketing Service	10.RD	2,073	-	-	2,073
	Agricultural Research Service	10.RD	3,057,278	-	-	3,057,278
	Pass-Through Cornell University	10.RD	74,975	-	-	74,975
	Pass-Through Virginia Polytechnic Institute and State University	10.RD	2,912	-	-	2,912
	Total Pass-Through Agricultural Research Service	10.RD	77,887	-	-	77,887
	Total Agricultural Research Service	10.RD	3,137,238	-	-	3,137,238
	Animal and Plant Health Inspection Service	10.RD	78	-	-	78
	Cooperative State Research, Education, and Extension Service (CSREES)					
	Pass-Through Clemson University	10.RD	7,717,926	-	-	7,717,926
	Pass-Through Colorado State University	10.RD	(4,370)	-	-	(4,370)
	Pass-Through Cornell University	10.RD	43,274	-	-	43,274
	Pass-Through Dartmouth College	10.RD	29,580	-	-	29,580
	Pass-Through Delaware State University	10.RD	41,229	-	-	41,229
	Pass-Through Delaware State University	10.RD	60,880	-	-	60,880
	Pass-Through Mt. Sinai School of Medicine	10.RD	35,928	-	-	35,928
	Pass-Through Pennsylvania State University	10.RD	18,292	-	-	18,292
	Pass-Through University of Illinois at Urbana-Champaign	10.RD	30,515	-	-	30,515
	Pass-Through University of Toledo	10.RD	30,348	-	-	30,348
	Pass-Through University of Vermont	10.RD	71,110	-	-	71,110
	Pass-Through Virginia Polytechnic Institute and State University	10.RD	7,797	-	-	7,797
	Total Pass-Through CSREES		364,583	-	-	364,583
	Total CSREES		8,082,509	-	-	8,082,509

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Schedule of Expenditures of Federal Awards (continued)

	Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
10	<u>Department of Agriculture (DOA) (continued)</u>					
	Economic Research Service	10.RD	\$ 97,586	\$ -	\$ -	\$ 97,586
	Foreign Agricultural Service	10.RD	2,198,080	-	-	2,198,080
	Forest Service	10.RD	346,161	-	-	346,161
	National Resources Conservation Service	10.RD	160,873	-	-	160,873
	Rural Business-Cooperative Service: Pass-Through University of Massachusetts	10.RD	32,579	-	-	32,579
	Total DOA		14,108,168	-	556,909,996	571,018,164
11	<u>Department of Commerce (DOC)</u>					
	Contract/Other	11.Census 8403/PA01	-	-	72,892	72,892
	Contract/Other	11 NIST MT3282	-	-	3,000	3,000
	Contract/Other	11 NIST	-	-	18,000	18,000
	Special American Business Internship Training Program	11.114	-	-	28,003	28,003
	Economic Development: Technical Assistance	11.303	-	-	115,200	115,200
	Economic Adjustment Assistance	11.307	-	-	5,223,412	5,223,412
	Interjurisdictional Fisheries Act of 1986	11.407	-	-	72,346	72,346
	Coastal Zone Management Administration Awards	11.419	-	-	3,101,464	3,101,464
	Coastal Zone Management Estuarine Research Reserves	11.420	-	-	483,175	483,175
	Pass-Through Mid Shore Health Systems	11.420	-	-	26,195	26,195
	Total Coastal Zone Management Estuarine Research Reserves		-	-	509,370	509,370
	Financial Assistance for National Centers for Coastal Ocean Science	11.426	-	-	220,782	220,782
	Cooperative Fishery Statistics	11.434	-	-	49,000	49,000
	Marine Mammal Data Program	11.439	-	-	41,653	41,653
	Environmental Sciences, Applications, Data, and Education	11.440	-	-	24,806	24,806
	Unallied Industry Projects	11.452	-	-	893,968	893,968
	Chesapeake Bay Studies	11.457	-	-	239,874	239,874
	Special Oceanic and Atmospheric Projects	11.460	-	-	9,706	9,706
	Habitat Conservation	11.463	-	-	16,130	16,130
	Office of Administration Special Programs	11.470	-	-	2,664	2,664
	Coastal Services Center (CSC)	11.473	-	-	40,333	40,333
	Atlantic Coastal Fisheries Cooperative Management Act	11.474	-	-	247,720	247,720
	Educational Partnership Program	11.481	-	-	2,841,843	2,841,843
	Measurement and Engineering Research and Standards	11.609	-	-	418,456	418,456
	Measurement and Engineering Research and Standards	11.609	8,000	-	-	8,000
	Total Measurement and Engineering Research and Standards		8,000	-	418,456	426,456
	Minority Business Development Centers	11.800	-	-	346,994	346,994
	National Institute for Standards and Technology	11.RD	6,970,104	-	-	6,970,104
	Pass-Through Booz Allen and Hamilton, Inc.	11.68450DS107	15,002	-	-	15,002
	Total National Institute for Standards and Technology		6,985,106	-	-	6,985,106
	National Oceanic and Atmospheric Administration	11.RD	10,889,146	-	-	10,889,146
	Pass-Through Advanced Bioscience Laboratory	11.RD	31,742	-	-	31,742
	Pass-Through Research Foundation of State University of New York	11.RD	143,180	-	-	143,180
	Pass-Through University of New Hampshire	11.RD	34,476	-	-	34,476
	Pass-Through Virginia Institute of Marine Science	11.RD	76,408	-	-	76,408
	Total Pass-Through National Oceanic and Atmospheric Administration		285,806	-	-	285,806
	Total National Oceanic and Atmospheric Administration		11,174,952	-	-	11,174,952
	Department of Commerce-Other	11.RD	45,649	-	-	45,649
	Total DOC		18,213,707	-	14,537,616	32,751,323

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Schedule of Expenditures of Federal Awards (continued)

	Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
12	Department of Defense (DOD)					
	Naval Air Warfare Center AD (Pax)	12.Unknown	\$ 8,766	\$ -	\$ -	\$ 8,766
	Contract / Other	12.Unknown	-	-	60,795	60,795
	Contract / Other	12.DCA 100-00D-4008	-	-	1,734,310	1,734,310
	Contract / Other	12.MDA904-02-C-0424	-	-	308,583	308,583
	Contract / Other – National Defense Library	12.0209248744	-	-	15,566	15,566
	Contract / Other – National Defense Library	12.0401237173	-	-	60,523	60,523
	Contract / Other – Army: Pass-Through Jackson State University	12.64-6000507	-	-	84,269	84,269
	Contract / Other – Army: Pass-Through Jackson State University	12.64-6000507	232,899	-	-	232,899
	Contract / Other:					
	Pass-Through Battelle Memorial Institute	12 SP0700-00D-3180	-	-	11,880	11,880
	Pass-Through Stanford University	12 DACA72-01-C002	47,621	-	-	47,621
	Total Pass-Through Contract / Other		47,621	-	11,880	59,501
	Total Contract / Other		280,520	-	2,275,926	2,556,446
	Procurement Technical Assistance for Business Firms	12.002	-	-	158,613	158,613
	Planning Assistance to States	12.110	-	-	38,993	38,993
	State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113	-	-	626,654	626,654
	Basic and Applied Scientific Research	12.300	-	-	1,826,657	1,826,657
	Pass-Through WILLCOR	12.300	-	-	97,859	97,859
	Total Basic and Applied Scientific Research		-	-	1,924,516	1,924,516
	Military Construction, National Guard	12.400	-	-	1,527,752	1,527,752
	National Guard Military Operations and Maintenance (O&M) Projects	12.401	-	-	10,510,006	10,510,006
	Military Medical Research and Development	12.420	-	-	93,431	93,431
	Basic Scientific Research	12.431	-	-	227,527	227,527
	Basic Scientific Research	12.431	1,467,992	-	-	1,467,992
	Basic, Applied, and Advanced Research in Science and Engineering	12.630	-	-	56,331	56,331
	Pass-Through Academy of Applied Science	12.630	-	-	2,484	2,484
	Total Basic, Applied, and Advanced Research in Science and Engineering		-	-	58,815	58,815
	Motor Week Energy	12.678	-	-	184,492	184,492
	Air Force Defense Research Sciences Program	12.800	113,946	-	-	113,946
	Language Grant Program	12.900	-	-	29,656	29,656
	Mathematical Sciences Grant Program	12.901	-	-	439,376	439,376
	Information Security Grant Program	12.902	-	-	77,757	77,757
	Research and Technology Development: Pass-Through Telecordia Technologies	12.910	-	-	99,155	99,155
	Department of the Army, Office of the Chief of Engineers	12.RD	6,446	-	-	6,446
	Pass-Through Harvard University	12.RD	66,641	-	-	66,641
	Total Department of the Army, Office of the Chief of Engineers		73,087	-	-	73,087
	U.S. Army, Material Command	12.RD	8,560,324	-	-	8,560,324
	Pass-Through Boston University	12.RD	327,494	-	-	327,494
	Pass-Through Honeywell	12.RD	30,267	-	-	30,267
	Total Pass-Through Army, Material Command		357,761	-	-	357,761
	Total U.S. Army, Material Command		8,918,085	-	-	8,918,085
	Department of the Navy, Office of Chief of Naval Research	12.RD	13,117,804	-	-	13,117,804
	Pass-Through California Institute of Technology	12.RD	37,310	-	-	37,310
	Pass-Through Johns Hopkins University	12.RD	337,483	-	-	337,483
	Total Pass-Through Department of the Navy, Office of Chief of Naval Research		374,793	-	-	374,793
	Total Department of the Navy, Office of Chief of Naval Research		13,492,597	-	-	13,492,597

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Schedule of Expenditures of Federal Awards (continued)

	Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
12	<u>Department of Defense (DOD) (continued)</u>					
	Department of the Air Force, Material Command	12.RD	\$ 4,488,100	\$ -	\$ -	\$ 4,488,100
	National Security Agency	12.RD	21,518,718	-	-	21,518,718
	Pass-Through George Mason University	12.RD	393,674	-	-	393,674
	Total National Security Agency		21,912,392	-	-	21,912,392
	Defense Advanced Research Projects Agency	12.RD	2,916,793	-	-	2,916,793
	Pass-Through BBNT Solutions LLC	12.RD	55,175	-	-	55,175
	Pass-Through Brown University	12.RD	105,221	-	-	105,221
	Pass-Through Object Video Corp.	12.RD	58,169	-	-	58,169
	Pass-Through Stanford University	12.RD	39,406	-	-	39,406
	Total Pass-Through Defense Advanced Research Projects Agency		257,971	-	-	257,971
	Total Defense Advanced Research Projects Agency		3,174,764	-	-	3,174,764
	Office of the Secretary of Defense	12.RD	411,924	-	-	411,924
	Pass-Through Georgia Institute of Technology	12.RD	61,118	-	-	61,118
	Total Office of the Secretary of Defense	12.RD	473,042	-	-	473,042
	Other Department of Defense	12.RD	1,077,893	-	-	1,077,893
	Pass-Through Blue Wave SemiConductors, Inc.	12.RD	41,965	-	-	41,965
	Pass-Through Texas A&M University	12.RD	33,700	-	-	33,700
	Total Pass-Through Other Department of Defense		75,665	-	-	75,665
	Total DOD		55,556,849	-	18,272,669	73,829,518
13	<u>Central Intelligence Agency (CIA)</u>					
	Central Intelligence Agency – Pass-Through Mitre Corporation	13.RD	146,783	-	-	146,783
	Total CIA		146,783	-	-	146,783
14	<u>Department of Housing & Urban Development (HUD)</u>					
	Contract / Other	14 Unknown	-	-	346,493	346,493
	Contract / Other	14.B-02-SP-MD-0298	-	-	75,000	75,000
	Section 8 Project-Based Cluster:					
	Section 8 Housing Assistance Payments Program: Special Allocations					
		14.195	-	-	124,658,959	124,658,959
	Lower Income Housing Assistance Program: Section 8 Moderate Rehabilitation					
		14.856	-	-	606,330	606,330
	Total Section 8 Project-Based Cluster		-	-	125,265,289	125,265,289
	Community Development Block Grants/Entitlement and (HUD-Administered) Small Cities Cluster:					
	Community Development Block Grants/Entitlement Grants	14.218	-	-	44,573	44,573
	Community Development Block Grants/Small Cities Program	14.219	-	-	8,068,547	8,068,547
	Total Community Development Block Grants/Entitlement and (HUD-Administered) Small Cities Cluster		-	-	8,113,120	8,113,120
	Community Development Block Grants/State’s Program	14.228	-	-	2,134,255	2,134,255
	Supportive Housing Program	14.235	-	-	421,684	421,684
	Historically Black Colleges and Universities Programs	14.237	-	-	1,095	1,095
	Shelter Plus Care	14.238	-	-	3,764,108	3,764,108
	HOME Investment Partnerships Program	14.239	-	-	12,357,505	12,357,505
	Housing Opportunities for Persons with AIDS	14.241	-	-	488,481	488,481
	Community Development Block Grants/Brown Fields Economic Development Initiative (HUD)	14.246	-	-	32,320	32,320
	Community Development Block Grants/Brown Fields Economic Development Initiative (HUD)	14.246	58,245	-	-	58,245
	Total Community Development Block Grants/ Brown Fields Economic Development Initiative (HUD)		58,245	-	32,320	90,565

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Schedule of Expenditures of Federal Awards (continued)

Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
14 <u>Department of Housing & Urban Development (HUD)</u> (continued)					
Fair Housing Assistance Program: State and Local	14.401	\$ -	\$ -	\$ 623,821	\$ 623,821
Community Outreach Partnership Center	14.511	-	-	90,204	90,204
Doctoral Dissertation Research Grants	14.516	-	-	8,659	8,659
Section 8 Housing Choice Vouchers	14.871	-	-	11,673,536	11,673,536
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	-	-	70,228	70,228
Office of Fair Housing and Equal Opportunity	14.RD	20,195	-	-	20,195
Other Research and Development	14.RD	206,917	-	-	206,917
Total HUD		285,357	-	165,465,798	165,751,155
15 <u>Department of the Interior (DOI)</u>					
Contract / Other	15.1443CA309701200	-	-	60,888	60,888
Pass-Through University of New Jersey	15 Unknown	-	-	2,921	2,921
Pass-Through University of Rhode Island	15 Unknown	-	-	2,559	2,559
Total Pass-Through Contract / Other		-	-	5,480	5,480
Total Contract / Other		-	-	66,368	66,368
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	15.250	-	-	548,810	548,810
Abandoned Mine Land Reclamation (AMLR) Program	15.252	-	-	2,045,314	2,045,314
Fish and Wildlife Cluster:					
Sport Fish Restoration	15.605	-	-	2,655,261	2,655,261
Wildlife Restoration	15.611	-	-	2,062,617	2,062,617
Pass-Through Pennsylvania Game Commission	15.611	-	-	24,957	24,957
Total Fish and Wildlife Cluster		-	-	4,742,835	4,742,835
Endangered Species Conservation	15.612	-	-	26,000	26,000
Clean Vessel Act	15.616	-	-	534,391	534,391
Wildlife Conservation Appreciation	15.617	-	-	6,593	6,593
Wildlife Conservation and Restoration	15.625	-	-	80,285	80,285
Landowner Incentive	15.633	-	-	3,589	3,589
State Wildlife Grants	15.634	-	-	385,895	385,895
Assistance to State Water Resources Research Institutes	15.805	-	-	23,559	23,559
U.S. Geological Survey: Research and Data Acquisition	15.808	-	-	277,258	277,258
National Cooperative Geologic Mapping Program	15.810	-	-	6,312	6,312
Disposal of Surplus Wildlife	15.900	-	-	5,757	5,757
Historic Preservation Fund Grants-in-Aid	15.904	-	-	556,347	556,347
National Historic Landmark	15.912	-	-	73,000	73,000
Outdoor Recreation: Acquisition, Development and Planning	15.916	-	-	4,390,927	4,390,927
American Battlefield Protection	15.926	-	-	27,196	27,196
National Park Service	15.RD	687,879	-	-	687,879
Total National Park Service		687,879	-	-	687,879
U.S. Fish and Wildlife Service	15.RD	48,485	-	-	48,485
Pass-Through Southern Louisiana University	15.RD	2,769	-	-	2,769
Total U.S. Fish and Wildlife Service	15.RD	51,254	-	-	51,254
Geological Survey	15.RD	465,618	-	-	465,618
Other Department of Interior – Research and Development	15.RD	122,036	-	-	122,036
Total DOI		1,326,787	-	13,800,436	15,127,223

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Schedule of Expenditures of Federal Awards (continued)

Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
16 Department of Justice (DOJ)					
Contract / Other	16.Unknown	\$ -	\$ -	\$ 5,523,536	\$ 5,523,536
Contract / Other	16.D0J03MOU10	-	-	4,593	4,593
Offender Reentry Program	16.202	-	-	15,848	15,848
Sex Offender Management Discretionary Grant (SOM)	16.203	-	-	86,394	86,394
Juvenile Accountability Incentive Block Grants	16.523	-	-	3,806,778	3,806,778
Reduce Violent Crimes Against Women on Campus	16.525	-	-	19,625	19,625
Juvenile Justice and Delinquency Prevention: Allocation to States	16.540	-	-	1,144,288	1,144,288
Juvenile Justice and Delinquency Prevention: Special Emphasis	16.541	-	-	875,551	875,551
National Institute for Juvenile Justice and Delinquency Prevention	16.542	-	-	(1,500)	(1,500)
Missing Children's Assistance	16.543	-	-	71,788	71,788
Title V: Delinquency Prevention Program	16.548	-	-	218,993	218,993
Part E: State Challenge Activities	16.549	-	-	70,238	70,238
National Criminal History Improvement Program (NCHIP)	16.554	-	-	958,779	958,779
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	-	-	6,068,642	6,068,642
Crime Victim Assistance	16.575	-	-	6,536,960	6,536,960
Crime Victim Compensation	16.576	-	-	1,291,000	1,291,000
Byrne Formula Grant Program	16.579	-	-	5,428,397	5,428,397
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	-	-	2,158,741	2,158,741
Crime Victim Assistance/Discretionary Grants	16.582	-	-	34,996	34,996
Violent Offender Incarceration and Truth in Sentencing Incentive Grants	16.586	-	-	1,274,880	1,274,880
Violence Against Women Formula Grants	16.588	-	-	2,662,362	2,662,362
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	-	-	108,538	108,538
Local Law Enforcement Block Grants Program	16.592	-	-	761,335	761,335
Residential Substance Abuse Treatment for State Prisoners	16.593	-	-	942,926	942,926
State Criminal Alien Assistance Program	16.606	-	-	949,327	949,327
Bulletproof Vest Partnership Program	16.607	-	-	8,621	8,621
Wildlife Conservation & Protection	16.625	-	-	51,443	51,443
Public Safety Partnership and Community Policing Grants	16.710	-	-	61,467	61,467
Police Corps	16.712	-	-	1,347,976	1,347,976
Enforcing Underage Drinking Laws Program	16.727	-	-	800,083	800,083
Bureau of Prisons	16.RD	60,361	-	-	60,361
Bureau of Justice Assistance	16.RD	62,258	-	-	62,258
Office of Juvenile Justice and Delinquency Prevention	16.RD	44,075	-	-	44,075
Pass-Through University of Pennsylvania	16.RD	25,401	-	-	25,401
Total Office of Juvenile Justice and Delinquency Prevention		69,476	-	-	69,476
Office of Justice Programs	16.RD	126,085	-	-	126,085
Pass-Through American Statistical Association	16.RD	7,818	-	-	7,818
Total Office of Justice Programs		133,903	-	-	133,903
National Institute of Justice	16.RD	1,764,138	-	-	1,764,138
Office of National Drug Control Policy	16.RD	6,789,131	-	-	6,789,131
Total DOJ		8,879,267	-	43,282,605	52,161,872

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Schedule of Expenditures of Federal Awards (continued)

	Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
17	<u>Department of Labor (DOL)</u>					
	Labor Force Statistics	17.002	\$ -	\$ -	\$ 1,146,431	\$ 1,146,431
	Compensation and Working Conditions	17.005	-	-	154,529	154,529
	Labor Certification for Alien Workers	17.203	-	-	1,692,055	1,692,055
	Work Incentives Grant	17.266	-	-	300,652	300,652
	WIA Incentive Grants Section 503 Grants to States	17.267	-	-	1,174,625	1,174,625
	Employment Programs for People with Disabilities	17.720	-	-	74,220	74,220
	Employment Service Cluster:					
	Employment Service	17.207	-	-	13,534,531	13,534,531
	Disabled Veterans' Outreach Program (DVOP)	17.801	-	-	1,629,548	1,629,548
	Local Veterans' Employment Representative Program	17.804	-	-	1,117,441	1,117,441
	Total Employment Service Cluster		-	-	16,281,520	16,281,520
	Unemployment Insurance	17.225	-	-	665,705,822	665,705,822
	Senior Community Service Employment Program	17.235	-	-	1,579,194	1,579,194
	Trade Adjustment Assistance: Workers	17.245	-	-	1,596,943	1,596,943
	Demonstration and Research	17.249	-	-	1,403,221	1,403,221
	Job Training Partnership Act (JTPA)	17.250	-	-	(182,728)	(182,728)
	Welfare-to-Work Grants to States and Localities	17.253	-	-	691,231	691,231
	Workforce Investment Act	17.255	-	-	2,524,972	2,524,972
	WIA Cluster:					
	WIA Adult Program	17.258	-	-	14,725,908	14,725,908
	WIA Youth Activities	17.259	-	-	12,012,266	12,012,266
	WIA Dislocated Workers	17.260	-	-	17,914,618	17,914,618
	Total WIA Cluster		-	-	44,652,792	44,652,792
	Employment and Training Administration Pilots, Demonstrations, and Research Projects	17.261	-	-	961,098	961,098
	Occupational Safety and Health: State Program	17.503	-	-	3,633,449	3,633,449
	Consultation Agreements	17.504	-	-	606,537	606,537
	Employment and Training Administration	17.RD	815,089	-	-	815,089
	Occupational Safety and Health Administration	17.RD	2,122	-	-	2,122
	Total DOL		817,211	-	743,996,563	744,813,774
19	<u>Department of State (DOS)</u>					
	Program for the Study of Eastern Europe and the Independent States of the Former Soviet Union	19.300	-	-	61,334	61,334
	Research Scholars: Pass-Through Council for International Exchange Scholars	19.401	-	-	38,253	38,253
	Educational Partnerships Program	19.405	-	-	67,737	67,737
	Educational Exchange: NIS Secondary School Initiative: Pass-Through Open Society Institute	19.411	-	-	130,091	130,091
	Office of Antiterrorism	19.RD	81,201	-	-	81,201
	Bureau of Intelligence and Research	19.RD	36,665	-	-	36,665
	Total DOS		117,866	-	297,415	415,281

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Schedule of Expenditures of Federal Awards (continued)

	Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
20	<u>Department of Transportation (DOT)</u>					
	Contract / Other	20.Unknown	\$ -	\$ -	\$ 584,272	\$ 584,272
	Contract / Other	20.FAA UMD0005	-	-	52,484	52,484
	Contract / Other	20.FAA UMD001	-	-	71,416	71,416
	Airport Improvement Program	20.106	-	-	8,799,013	8,799,013
	Airway Science	20.107	-	-	30,677	30,677
	Highway Planning and Construction Cluster:					
	Highway Planning and Construction	20.205	-	-	502,305,765	502,305,765
	Appalachian Development Highway System	23.003	-	-	387,700	387,700
	Total Highway Planning and Construction Cluster		-	-	502,693,465	502,693,465
	Recreational Trails/TEA-21	20.209	-	-	422,697	422,697
	Highway Training and Education	20.215	-	-	67,962	67,962
	Pass-Through South Carolina State University	20.215	-	-	37,598	37,598
	Total Highway Training and Education		-	-	105,560	105,560
	National Motor Carrier Safety	20.218	-	-	851,318	851,318
	High Speed Ground Transportation: Next Generation		-	-		
	High Speed Rail Program	20.312	-	-	1,869,304	1,869,304
	Federal Transit Cluster:					
	Federal Transit: Capital Investment Grants	20.500	-	-	79,322,234	79,322,234
	Federal Transit: Formula Grants	20.507	-	-	80,935,886	80,935,886
	Total Federal Transit Cluster		-	-	160,258,120	160,258,120
	Federal Transit: Metropolitan Planning Grants	20.505	-	-	8,048,662	8,048,662
	Formula Grants for Other Than Urbanized Areas	20.509	-	-	2,662,291	2,662,291
	Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	-	-	2,480,398	2,480,398
	Job Access: Reverse Commute	20.516	-	-	4,395,594	4,395,594
	State and Community Highway Safety	20.600	-	-	9,726,761	9,726,761
	University Transportation Centers Program	20.701	59,075	-	-	59,075
	Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	-	-	165,558	165,558
	Development and Promotion of Ports and Intermodal Transportation	20.801	-	-	414,580	414,580
	Bureau of Transportation Statistics	20.RD	36,443	-	-	36,443
	Federal Aviation Administration	20.RD	1,199,262	-	-	1,199,262
	Federal Highway Administration	20.RD	176,593	-	-	176,593
	Pass-Through National Academy of Science	20.RD	87,039	-	-	87,039
	Total Federal Highway Administration		263,632	-	-	263,632
	Federal Motor Carrier Safety Administration	20.RD	70,416	-	-	70,416
	Pass-Through North Carolina University at Chapel Hill	20.RD	58,685	-	-	58,685
	Pass-Through Professional Services Inc.	20.RD	5,265	-	-	5,265
	Total Pass-Through Federal Motor Carrier Safety Administration		63,950	-	-	63,950
	Total Federal Motor Carrier Safety Administration		134,366	-	-	134,366
	Federal Transit Administration	20.RD	133,500	-	-	133,500
	Pass-Through National Cooperative Highway Research Program	20.RD	(595)	-	-	(595)
	Total Federal Transit Administration		132,905	-	-	132,905
	Maritime Administration	20.RD	7,679	-	-	7,679
	Total DOT		1,833,362	-	703,632,170	705,465,532
21	<u>Department of Treasury (DOTR)</u>					
	Contract / Other	21.C00013	-	-	(1,851)	(1,851)
	Joint Tax Rebate Relief Act	21.000	-	-	90,054,065	90,054,065
	Total DOTR		-	-	90,052,214	90,052,214

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Schedule of Expenditures of Federal Awards (continued)

	Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
23	<u>Appalachian Regional Council (ARC)</u>					
	Appalachian Local Access Roads	23.008	\$ -	\$ -	\$ 680,777	\$ 680,777
	Appalachian State Research, Technical Assistance and Demonstration Projects	23.011	-	-	288,926	288,926
	Total ARC		-	-	969,703	969,703
30	<u>Equal Employment Opportunity Commission (EEOC)</u>					
	Employment Discrimination: State and Local Fair Employment Practices Agency Contracts	30.002	-	-	430,759	430,759
	Total EEOC		-	-	430,759	430,759
36	<u>Federal Trade Commission</u>					
	Federal Trade Commission	36.RD	48,110	-	-	48,110
	Total Federal Trade Commission		48,110	-	-	48,110
39	<u>General Services Administration (GSA)</u>					
	Business Services	39.001	-	-	3,360,323	3,360,323
	Donation of Federal Surplus Personal Property	39.003	-	-	565,173	565,173
	Total GSA		-	-	3,925,496	3,925,496
42	<u>Library of Congress</u>					
	Library of Congress	42.RD	(2,334)	-	-	(2,334)
	Total Library of Congress		(2,334)	-	-	(2,334)
43	<u>National Aeronautics and Space Administration (NASA)</u>					
	Contract / Other	43.NAG5-11846	-	-	3,270	3,270
	Contract / Other	43.NNG04GC25A	-	-	2,549	2,549
	Contract / Other	43.NNG04GH98G	-	-	13,001	13,001
	Aerospace Education Services Program	43.001	-	-	1,247,061	1,247,061
	Aerospace Education Services Program	43.001	2,003,760	-	-	2,003,760
	Pass-Through Cuyahoga Community College	43.001	-	-	132,160	132,160
	Pass-Through Diversified Career and Educational Services Program	43.001	-	-	16,052	16,052
	Pass-Through Maryland Space Grant Consortium	43.001	-	-	8,553	8,553
	Total Pass-Through Aerospace Education Services Program		-	-	156,765	156,765
	Total Aerospace Education Services Program		2,003,760	-	1,422,646	3,426,406
	NASA	43.RD	46,809,345	-	-	46,809,345
	Pass-Through Smithsonian Astrophysical Observatory	43.NAS8-39073	4,109	-	-	4,109
	Pass-Through Boston University	43.RD	159,978	-	-	159,978
	Pass-Through California Institute of Technology	43.RD	627,924	-	-	627,924
	Pass-Through Carnegie Institute of Washington	43.RD	52,504	-	-	52,504
	Pass-Through Carnegie Mellon University	43.RD	563,055	-	-	563,055
	Pass-Through Decision Systems	43.RD	602	-	-	602
	Pass-Through Georgia Institute of Technology	43.RD	38,094	-	-	38,094
	Pass-Through Jet Propulsion Lab	43.RD	628,332	-	-	628,332
	Pass-Through Johns Hopkins University/Applied Physics Lab	43.RD	127,731	-	-	127,731
	Pass-Through L&M Technologies	43.RD	(99,792)	-	-	(99,792)
	Pass-Through Lawrence Livermore National Laboratory	43.RD	25,162	-	-	25,162
	Pass-Through Marconi North America	43.RD	3	-	-	3
	Pass-Through Michigan State University	43.RD	29,895	-	-	29,895
	Pass-Through National Institute of Aerospace	43.RD	487,104	-	-	487,104
	Pass-Through Raytheon Systems	43.RD	113,122	-	-	113,122
	Pass-Through Rutgers University	43.RD	37,658	-	-	37,658

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Schedule of Expenditures of Federal Awards (continued)

	Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
43	<u>National Aeronautics and Space Administration (NASA)</u> (continued)					
	Pass-Through Southwest Research Institute	43.RD	\$ 97,964	\$ -	\$ -	\$ 97,964
	Pass-Through Southwest Science Inc.	43.RD	13,171	-	-	13,171
	Pass-Through Space Telescope Science Institute	43.RD	85,459	-	-	85,459
	Pass-Through University of Arizona at Tucson	43.RD	19,708	-	-	19,708
	Pass-Through University of California, Los Angeles	43.RD	41,211	-	-	41,211
	Pass-Through University of California at Berkley – Space Science Lab	43.RD	153,881	-	-	153,881
	Pass-Through University of Texas-Austin	43.RD	104,291	-	-	104,291
	Pass-Through University of Wisconsin	43.RD	71,184	-	-	71,184
	Pass-Through University Research Corporation International	43.RD	(1,448)	-	-	(1,448)
	Pass-Through Yale University	43.RD	71,639	-	-	71,639
	Total Pass-Through NASA		3,448,432	-	-	3,448,432
	Total NASA		50,261,886	-	-	50,261,886
	Total NASA		52,265,646	-	1,422,646	53,688,292
45	<u>National Foundation on the Arts and Humanities (NFAH)</u>					
	Promotion of the Arts: Grants to Organizations and Individuals	45.024	-	-	17,261	17,261
	Promotion of the Arts: Partnership Agreements	45.025	-	-	550,329	550,329
	Promotion of the Arts: Leadership Initiatives	45.026	-	-	33,500	33,500
	Promotion of the Humanities: Division of Preservation and Access	45.149	-	-	95,483	95,483
	Promotion of the Humanities: Education Development and Demonstration	45.162	-	-	2,924	2,924
	Promotion of the Humanities: Seminars and Institutes	45.163	-	-	3,224	3,224
	Promotion of the Humanities: Extending the Reach Grants to Presidentially-Designated Minority Institutions	45.167	-	-	(1,296)	(1,296)
	Institute of Museum and Library Services	45.301	-	-	50,331	50,331
	Museum Assessment Program	45.302	-	-	36	36
	Conservation Assessment Program	45.304	-	-	5,054	5,054
	State Library Program	45.310	-	-	2,451,356	2,451,356
	Institute of Museum and Library Services: National Leadership Grants	45.312	-	-	37,110	37,110
	Institute of Museum and Library Services: Recruiting and Educating Librarians for the 21st Century	45.313	-	-	109	109
	National Endowment for the Humanities	45.RD	158,948	-	-	158,948
	Total NFAH		158,948	-	3,245,421	3,404,369
47	<u>National Science Foundation (NSF)</u>					
	Engineering Grants	47.041	-	-	582,964	582,964
	Engineering Grants	47.041	425,792	-	-	425,792
	Pass-Through Johns Hopkins University	47.041	89,705	-	-	89,705
	Total Engineering Grants		515,497	-	582,964	1,098,461
	Mathematical and Physical Sciences	47.049	-	-	180,067	180,067
	Mathematical and Physical Sciences	47.049	2,596	-	-	2,596
	Pass-Through University of Delaware	47.049	-	-	5,614	5,614
	Total Mathematical and Physical Sciences		2,596	-	185,681	188,277
	Geosciences	47.050	-	-	218,585	218,585
	Geosciences	47.050	28,164	-	-	28,164
	Total Geosciences		28,164	-	218,585	246,749
	Computer and Information Science and Engineering	47.070	-	-	6,860	6,860
	Biological Sciences	47.074	-	-	456,433	456,433
	Biological Sciences	47.074	33,134	-	-	33,134
	Pass-Through George Washington University	47.074	-	-	142,807	142,807
	Total Biological Sciences		33,134	-	599,240	632,374

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Schedule of Expenditures of Federal Awards (continued)

	Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
47	National Science Foundation (NSF) (continued)					
	Social, Behavioral, and Economic Sciences	47.075	\$ -	\$ -	\$ 144,605	\$ 144,605
	Pass-Through Academy of Applied Sciences	47.075	-	-	5,203	5,203
	Pass-Through National Academy of Sciences	47.075	-	-	3,554	3,554
	Total Pass-Through Social, Behavioral, and Economic Sciences		-	-	8,757	8,757
	Total Social, Behavioral, and Economic Sciences		-	-	153,362	153,362
	Education and Human Resources	47.076	-	-	5,979,878	5,979,878
	Education and Human Resources	47.076	251,843	-	-	251,843
	Pass-Through Association of American Colleges & Universities (AAC&U)	47.076	-	-	1,468	1,468
	Pass-Through Howard University	47.076	186,138	-	-	186,138
	Total Pass-Through Education and Human Resources		186,138	-	1,468	187,606
	Total Education and Human Resources		437,981	-	5,981,346	6,419,327
	National Science Foundation (NSF)	47.RD	47,944,861	-	-	47,944,861
	Pass-Through Auburn University	47.RD	65	-	-	65
	Pass-Through AdTech Photonics Inc.	47.RD	7,803	-	-	7,803
	Pass-Through Baltimore County Public Schools	47.RD	1,659,033	-	-	1,659,033
	Pass-Through Blue Wave SemiConductors	47.RD	45,847	-	-	45,847
	Pass-Through Carnegie Mellon University	47.RD	21,062	-	-	21,062
	Pass-Through Cornell University	47.RD	47,934	-	-	47,934
	Pass-Through Dartmouth College	47.RD	202,686	-	-	202,686
	Pass-Through Duke University	47.RD	90,260	-	-	90,260
	Pass-Through Georgia Institute of Technology	47.RD	8,205	-	-	8,205
	Pass-Through Johns Hopkins University	47.RD	(12,418)	-	-	(12,418)
	Pass-Through Institute of Ecosystem Studies	47.RD	84,630	-	-	84,630
	Pass-Through Institute for Genomic Research	47.RD	60,804	-	-	60,804
	Pass-Through Kansas State University	47.RD	93,971	-	-	93,971
	Pass-Through Louisiana State University	47.RD	435	-	-	435
	Pass-Through Medical University of South Carolina	47.RD	25,183	-	-	25,183
	Pass-Through Michigan State University	47.RD	65,043	-	-	65,043
	Pass-Through New Jersey Institute of Technology	47.RD	39,109	-	-	39,109
	Pass-Through Pennsylvania State University	47.RD	155,108	-	-	155,108
	Pass-Through Purdue University	47.RD	36,679	-	-	36,679
	Pass-Through Rutgers University	47.RD	329,167	-	-	329,167
	Pass-Through Shoah Foundation	47.RD	287,323	-	-	287,323
	Pass-Through State University of New York	47.RD	5,758	-	-	5,758
	Pass-Through Syracuse University	47.RD	29,084	-	-	29,084
	Pass-Through Texas A&M University	47.RD	5,140	-	-	5,140
	Pass-Through University of Arizona	47.RD	28,805	-	-	28,805
	Pass-Through University of California, Irvine	47.RD	6,742	-	-	6,742
	Pass-Through University of California, Los Angeles	47.RD	39,908	-	-	39,908
	Pass-Through University of California, San Diego	47.RD	726,305	-	-	726,305
	Pass-Through University of Connecticut	47.RD	350	-	-	350
	Pass-Through University of Delaware	47.RD	50,864	-	-	50,864
	Pass-Through University of Missouri, Columbia	47.RD	9,676	-	-	9,676
	Pass-Through University of Pennsylvania	47.RD	(11,013)	-	-	(11,013)
	Pass-Through University of Virginia	47.RD	36,565	-	-	36,565
	Pass-Through University of Western Michigan	47.RD	116,345	-	-	116,345
	Pass-Through University of Wisconsin	47.RD	350,288	-	-	350,288
	Pass-Through US Civilian Research and Development Foundation	47.RD	5,496	-	-	5,496
	Pass-Through Venture Group	47.RD	115,427	-	-	115,427
	Pass-Through Virginia Commonwealth University	47.RD	807	-	-	807
	Pass-Through Woods Hole Oceanographic	47.RD	100	-	-	100
	Total Pass-Through NSF		4,764,576	-	-	4,764,576
	Total NSF		52,709,437	-	-	52,709,437
	Total National Science Foundation		53,726,809	-	7,728,038	61,454,847

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Schedule of Expenditures of Federal Awards (continued)

	Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
59	<u>Small Business Administration (SBA)</u>					
	Small Business Development Center	59.037	\$ -	\$ -	\$ 1,646,850	\$ 1,646,850
	SBA – Research and Development	59.RD	7,334	-	-	7,334
	Total SBA		<u>7,334</u>	<u>-</u>	<u>1,646,850</u>	<u>1,654,184</u>
64	<u>Veterans Administration (VA)</u>					
	Veterans State Domiciliary Care	64.014	-	-	4,677,917	4,677,917
	Vocational Rehabilitation for Disabled Veterans	64.116	-	-	1,377	1,377
	Veterans Housing: Manufactured Home Loans	64.119	-	-	64,733	64,733
	Vocational and Educational Counseling for Servicemembers and Veterans	64.125	-	-	174,568	174,568
	Veterans Benefits Administration – Research and Development	64.RD	7,405,229	-	-	7,405,229
	Total VA		<u>7,405,229</u>	<u>-</u>	<u>4,918,595</u>	<u>12,323,824</u>
66	<u>Environmental Protection Agency (EPA)</u>					
	Air Pollution Control Program Support	66.001	-	-	3,327,839	3,327,839
	Surveys, Studies Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	-	-	31,657	31,657
	Water Pollution Control: State and Interstate Program Support	66.419	-	-	246,866	246,866
	Surveys, Studies, Demonstrations, and Special Purpose Grants – Section 1442 of the Safe Drinking Water Act (B)	66.424	-	-	6,055	6,055
	State Public Water System Supervision	66.432	-	-	1,346,341	1,346,341
	State Underground Water Source Protection	66.433	-	-	56,790	56,790
	Construction Management Assistance	66.438	-	-	215,637	215,637
	Water Quality Management Planning	66.454	-	-	296,012	296,012
	Nonpoint Source Implementation Grants	66.460	-	-	2,445,596	2,445,596
	Wetlands Program Grants	66.461	-	-	382,258	382,258
	Water Quality Cooperative Agreements	66.463	-	-	244,463	244,463
	Chesapeake Bay Program	66.466	-	-	4,359,514	4,359,514
	Beach Monitoring and Notification Program Implementation Grants	66.472	-	-	178,938	178,938
	Water Protection Coordination Grants to States	66.474	-	-	38,020	38,020
	Environmental Protection Consolidated Research	66.500	-	-	167,978	167,978
	Environmental Justice Grants to Small Community Groups	66.604	-	-	12,502	12,502
	Performance Partnership Grants (PPGs)	66.605	-	-	2,249,119	2,249,119
	Surveys, Studies, Investigations and Special Purpose Grants	66.606	-	-	1,328,308	1,328,308
	Surveys, Studies, Investigations and Special Purpose Grants	66.606	4,296	-	-	4,296
	Total Surveys, Studies, Investigations and Special Purpose Grants		<u>4,296</u>	<u>-</u>	<u>1,328,308</u>	<u>1,332,604</u>
	Training and Fellowships for the Environmental Protection Agency	66.607	-	-	20,774	20,774
	Environmental Information Exchange Network Grant Program	66.608	-	-	76,041	76,041
	Consolidated Pesticide Enforcement Cooperative Agreements	66.700	-	-	427,391	427,391
	Toxic Substances Compliance Monitoring Cooperative Agreement	66.701	-	-	109,231	109,231
	TSCA Title IV State Lead Grants: Certification of Lead-Based Paint Professionals	66.707	-	-	271,662	271,662
	Pollution Prevention Grants Program	66.708	-	-	72,825	72,825
	Capacity Building Grants and Co-operative Agreements for States and Tribes	66.709	-	-	209,655	209,655
	Surveys, Studies, Investigations, Training Demonstrations and Education	66.716	-	-	12,617	12,617

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Schedule of Expenditures of Federal Awards (continued)

	Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
66	<u>Environmental Protection Agency (EPA)</u> (continued)					
	Hazardous Waste Management State Program Support	66.801	\$ -	\$ -	\$ 2,007,524	\$ 2,007,524
	Superfund State, Political Subdivision, and Indian Tribe					
	Site: Specific Cooperative Agreements	66.802	-	-	808,234	808,234
	State and Tribal Underground Storage Tanks Program	66.804	-	-	33,540	33,540
	Leaking Underground Storage Tank: Trust Fund	66.805	-	-	1,415,807	1,415,807
	Solid Waste Management Assistance	66.808	-	-	24,204	24,204
	Superfund State and Indian Tribe Core Program:					
	Cooperative Agreements	66.809	-	-	599,657	599,657
	Brownfield Pilots Cooperative Agreements	66.811	-	-	4,778	4,778
	State and Tribal Response Program Grants	66.817	-	-	122,174	122,174
	Brownfields Assessment and Cleanup Cooperative					
	Agreements	66.818	-	-	18,910	18,910
	Environmental Education and Training Program	66.950	-	-	4,146	4,146
	Environmental Education Grants	66.951	-	-	24,957	24,957
	Environmental Protection Agency	66.RD	1,484,141	-	-	1,484,141
	Pass-Through Mid-Atlantic Regional Air Management	66.RD	40,462	-	-	40,462
	Pass-Through University of Missouri, Columbia	66.RD	25,415	-	-	25,415
	Pass-Through Pennsylvania State University	66.RD	169	-	-	169
	Pass-Through University of Louisville	66.RD	55,655	-	-	55,655
	Total Pass-Through Environmental Protection					
	Agency		121,701	-	-	121,701
	Total Environmental Protection Agency		1,605,842	-	-	1,605,842
	Office of Air and Radiation	66.RD	638,651	-	-	638,651
	Office of Administration	66.RD	106,637	-	-	106,637
	Office of Environmental Education: Pass-Through					
	Washington State University	66.RD	79,417	-	-	79,417
	Office of Research and Development	66.RD	1,608,725	-	-	1,608,725
	Pass-Through University of West Florida	66.RD	82,715	-	-	82,715
	Total Office of Research and Development		1,691,440	-	-	1,691,440
	Office of Prevention, Pesticides, and Toxic Substances	66.RD	24,854	-	-	24,854
	Office of Water	66.RD	321,387	-	-	321,387
	Pass-Through Virginia Department of Conservation	66.RD	73,765	-	-	73,765
	Total Office of Water	66.RD	395,152	-	-	395,152
	Total EPA		4,546,289	-	23,198,020	27,744,309
77	<u>National Regulatory Commission (NRC)</u>					
	Other National Regulatory Commission – Research and					
	Development	77.RD	352,966	-	-	352,966
	Total NRC		352,966	-	-	352,966
81	<u>Department of Energy (DOE)</u>					
	National Energy Information Center	81.039	-	-	10,000	10,000
	State Energy Program	81.041	-	-	1,196,308	1,196,308
	Weatherization Assistance for Low-Income Persons	81.042	-	-	2,667,572	2,667,572
	University Coal Research	81.057	350,797	-	-	350,797
	Regional Biomass Energy Programs	81.079	-	-	5,000	5,000
	Conservation Research and Development	81.086	-	-	25,355	25,355
	University Nuclear Science and Reactor Support	81.114	-	-	62,870	62,870
	Office of Nuclear Energy: Pass-Through North Carolina					
	State University	81.RD	95,448	-	-	95,448
	Office of Science	81.RD	2,949,081	-	-	2,949,081
	Pass-Through Canada Centre for Remote Sensing	81.RD	28,642	-	-	28,642
	Pass-Through Institute for Genomic Research	81.RD	102,594	-	-	102,594
	Total Office of Science		131,236	-	-	131,236

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Schedule of Expenditures of Federal Awards (continued)

	Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
81	<u>Department of Energy (DOE) (continued)</u>					
	Other Department of Energy – Research and Development					
	Development	81.RD	\$ 7,251,147	\$ –	\$ –	\$ 7,251,147
	Pass-Through Argonne National Lab	81.RD	10,001	–	–	10,001
	Pass-Through Fermilab	81.RD	(116,942)	–	–	(116,942)
	Pass-Through Lawrence Livermore National Laboratory	81.RD	45,926	–	–	45,926
	Total Pass-Through Other Department of Energy – Research and Development		(61,015)	–	–	(61,015)
	Total Other Department of Energy – Research and Development		7,190,132	–	–	7,190,132
	Total DOE		10,716,694	–	3,967,105	14,683,799
83	<u>Federal Emergency Management Agency (FEMA)</u>					
	Contract / Other	83.EMW2003-GR-0308	–	–	31,494	31,494
	National Fire Academy Educational Program	83.010	–	–	18,959	18,959
	Community Assistance Program: State Support Services Element (CAP-SSSE)	83.105	–	–	2,179	2,179
	Emergency Management – State and Local Assistance	83.534	–	–	45,394	45,394
	First Responder Counter-Terrorism Training Assistance	83.547	–	–	74,145	74,145
	FY'03 State Dam Safety Program	83.550	–	–	8,932	8,932
	FEMA – Research and Development	83.RD	1,828	–	–	1,828
	Total FEMA		1,828	–	181,103	182,931
84	<u>Department of Education (DED)</u>					
	DED Contract / Other: Pass-Through Lower Shore Private Council					
	Adult Education: State Grant Program	84.52-1309382	–	–	67,247	67,247
	Title I Grants to Local Educational Agencies	84.002	–	–	9,119,340	9,119,340
	Migrant Education: State Grant Program	84.010	–	–	140,550,283	140,550,283
	Title I Program for Neglected and Delinquent Children	84.011	–	–	608,324	608,324
	Undergraduate International Studies and foreign Language Programs	84.013	–	–	2,117,437	2,117,437
	Special Education Cluster:					
	Special Education Grants to States	84.016	–	–	27,285	27,285
	Special Education Grants to States: Pass-Through Virginia Department of Education	84.027	–	–	152,186,437	152,186,437
	Special Education: Preschool Grants	84.027	–	–	17,280	17,280
	Total Special Education Cluster	84.173	–	–	5,479,604	5,479,604
	Federal Supplemental Educational Opportunity Grants		–	–	157,683,321	157,683,321
	Federal Family Educational Loans	84.007	–	17,955,942	–	17,955,942
	Federal Work-Study Program	84.032	–	220,226,117	–	220,226,117
	Loan Cancellations	84.033	–	4,009,089	–	4,009,089
	Federal Perkins Loan Program: Federal Capital Contributions	84.037	–	–	26,836	26,836
	Federal Pell Grant Program	84.038	–	74,868,429	–	74,868,429
	Federal Direct Student Loans	84.063	–	59,498,184	–	59,498,184
	TRIO Cluster:	84.268	–	209,827,326	–	209,827,326
	TRIO: Student Support Services	84.042	–	–	1,706,293	1,706,293
	TRIO: Talent Search	84.044	–	–	665,141	665,141
	TRIO: Upward Bound	84.047	–	–	3,823,357	3,823,357
	TRIO: Educational Opportunity Centers	84.066	–	–	265,918	265,918
	TRIO: McNair Post – Baccalaureate Achievement	84.217	–	–	608,356	608,356
	Total TRIO Cluster		–	–	7,069,065	7,069,065

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Schedule of Expenditures of Federal Awards (continued)

	Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
84	Department of Education (DED) (continued)					
	Higher Education: Institutional Aid	84.031	\$ -	\$ -	\$ 11,489,490	\$ 11,489,490
	Vocational Education: Basic Grants to States	84.048	-	-	16,577,671	16,577,671
	Leveraging Educational Assistance Partnership	84.069	-	-	609,204	609,204
	Fund for the Improvement of Postsecondary Education	84.116	-	-	412,244	412,244
	Minority Science and Engineering Improvement	84.120	-	-	182,356	182,356
	Rehabilitation Services: Vocational Rehabilitation Grants to States	84.126	-	-	37,743,011	37,743,011
	Rehabilitation Long-Term Training	84.129	-	-	320,008	320,008
	National Institute on Disability and Rehabilitation Research	84.133	-	-	41,975	41,975
	Federal, State, and Local Partnership for Educational Improvement	84.151	-	-	29,808	29,808
	Business and International Education Projects	84.153	-	-	70,893	70,893
	Rehabilitation Services: Client Assistance Program	84.161	-	-	201,413	201,413
	Immigrant Education	84.162	-	-	(42,829)	(42,829)
	Eisenhower Mathematics and Science Education: State Grants	84.164	-	-	(66,386)	(66,386)
	Eisenhower Professional Development: Federal Activities	84.168	-	-	(48)	(48)
	Independent Living: State Grants	84.169	-	-	90,451	90,451
	Rehabilitation Services: Independent Living Services for Older Individuals Who Are Blind	84.177	-	-	653,721	653,721
	Special Education: Grants for Infants and Families with Disabilities	84.181	-	-	7,185,201	7,185,201
	Safe and Drug-Free Schools and Communities: National Programs	84.184	-	-	372,228	372,228
	Byrd Honors Scholarships	84.185	-	-	591,984	591,984
	Safe and Drug-Free Schools and Communities: State Grants	84.186	-	-	7,083,528	7,083,528
	Supported Employment Services for Individuals with Severe Disabilities	84.187	-	-	783,647	783,647
	Bilingual Education: Professional Development	84.195	-	-	762,513	762,513
	Education for Homeless Children and Youth	84.196	-	-	730,893	730,893
	Graduate Assistance in Areas of National Need	84.200	-	-	580,068	580,068
	Star Schools	84.203	-	-	1,995,511	1,995,511
	Even Start: State Educational Agencies	84.213	-	-	2,498,200	2,498,200
	Fund for the Improvement of Education	84.215	-	-	516,376	516,376
	Pass-Through Wicomico County Board of Education	84.215	-	-	79,113	79,113
	Total Fund for the Improvement of Education		-	-	595,489	595,489
	Capital Expenses	84.216	-	-	(924)	(924)
	Even Start-LEA	84.218	-	-	922	922
	Assistive Technology	84.224	-	-	348,798	348,798
	Rehabilitation Services Demonstration and Training: Special Demonstration Programs	84.235	-	-	408,997	408,997
	Tech-Prep Education	84.243	-	-	1,509,298	1,509,298
	Rehabilitation Training: Continuing Education	84.264	-	-	480,281	480,281
	Rehabilitation Training: State Vocational Rehabilitation Unit In-Service Training	84.265	-	-	82,798	82,798
	Institute for International Public Policy: Pass-Through United Negro College Fund	84.269	-	-	151,391	151,391
	Total Institute for International Public Policy		-	-	151,391	151,391
	Goals 2000: State and Local Education Systemic Improvement Grants	84.276	-	-	(17,136)	(17,136)
	Eisenhower Professional Development State Grants	84.281	-	-	1,381,279	1,381,279
	Ready to Teach	84.286	-	-	741,199	741,199
	Twenty-First Century Community Learning Centers	84.287	-	-	3,034,139	3,034,139
	Innovative Education Program Strategies	84.298	-	-	6,585,428	6,585,428

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Schedule of Expenditures of Federal Awards (continued)

	Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
84	Department of Education (DED) (continued)					
	Regional Technology in Education Consortia: Pass-Through Temple University	84.302	\$ -	\$ -	\$ 46,652	\$ 46,652
	Even Start: Statewide Family Literacy Program	84.314	-	-	42,127	42,127
	Technology Literacy Challenge Fund Grants	84.318	-	-	6,879,715	6,879,715
	Special Education: State Program Improvement Grants for Children with Disabilities	84.323	-	-	1,228,048	1,228,048
	Special Education: Research and Innovation to Improve Services and Results for Children with Disabilities	84.324	-	-	198,623	198,623
	Special Education: Personnel Preparation to Improve Services and Results for Children with Disabilities	84.325	-	-	1,268,564	1,268,564
	Special Education: Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	-	-	94,102	94,102
	Advanced Placement Program	84.330	-	-	447,783	447,783
	Grants to States for Incarcerated Youth Offenders	84.331	-	-	276,727	276,727
	Comprehensive School Reform Demonstration	84.332	-	-	4,604,092	4,604,092
	Gaining Early Awareness and Readiness for Undergraduate Program	84.334	-	-	2,665,021	2,665,021
	Pass-Through Regional Education Service Agency	84.334	-	-	28,490	28,490
	Total Gaining Early Awareness and Readiness for Undergraduate Program		-	-	2,693,511	2,693,511
	Child Care Access Means Parents in School	84.335	-	-	86,823	86,823
	Teacher Quality Enhancement Grants	84.336	-	-	1,298,240	1,298,240
	Reading Excellence	84.338	-	-	1,439,963	1,439,963
	Learn Anytime Anywhere Partnerships	84.339	-	-	382,920	382,920
	Class Size Reduction	84.340	-	-	1,715,446	1,715,446
	Preparing Tomorrow's Teachers to Use Technology	84.342	-	-	1,270,705	1,270,705
	Underground Railroad Educational and Cultural Program	84.345	-	-	218,590	218,590
	Occupation and Employment Information State Grants	84.346	-	-	137,528	137,528
	Title I Accountability Grants	84.348	-	-	153,702	153,702
	Transition to Teaching	84.350	-	-	344,477	344,477
	School Renovation Grants	84.352	-	-	11,563,957	11,563,957
	Reading First State Grants	84.357	-	-	2,386,498	2,386,498
	Rural Education Achievement Program	84.358	-	-	147,153	147,153
	English Language Acquisition Grants	84.365	-	-	4,127,278	4,127,278
	Mathematics and Science Partnerships	84.366	-	-	200,489	200,489
	Improving Teacher Quality State Grants	84.367	-	-	39,276,286	39,276,286
	Grants for State Assessments and Related Activities	84.369	-	-	3,598,344	3,598,344
	Educational Research and Improvement	84.RD	96,639	-	-	96,639
	Pass-Through Baltimore City Public Schools	84.RD	92,324	-	-	92,324
	Pass-Through Baltimore County Public Schools	84.RD	154,559	-	-	154,559
	Total Pass-Through Educational Research and Improvement		246,883	-	-	246,883
	Total Educational Research and Improvement		343,522	-	-	343,522
	Institute of Education Sciences	84.RD	801,165	-	-	801,165
	Postsecondary Education	84.RD	2,574,499	-	-	2,574,499
	Special Education and Rehabilitative Services	84.RD	1,936,541	-	-	1,936,541
	Pass-Through George Mason University	84.RD	27,212	-	-	27,212
	Pass-Through University of California, San Francisco	84.RD	4,924	-	-	4,924
	Pass-Through Vanderbilt University	84.RD	118,261	-	-	118,261
	Total Pass-Through Special Education and Rehabilitative Services		150,397	-	-	150,397
	Total Special Education and Rehabilitative Services		2,086,938	-	-	2,086,938
	Education – Other: Pass-through Council of Chief State School Officers	84.RD	25,240	-	-	25,240
	Total DED		5,831,364	586,385,087	509,596,195	1,101,812,646

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Schedule of Expenditures of Federal Awards (continued)

	Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
89	National Archives and Records Administration					
	National Historical Publications & Records Grant	89.003	\$ -	\$ -	\$ 81,434	\$ 81,434
	National Archives and Records Administration – Research and Development	89.RD	152,753	-	-	152,753
	Total National Archives and Records Administration		152,753	-	81,434	234,187
92	National Council on Disability					
	Adult Elevated Blood Lead Levels & Sur. Prog	92.283	-	-	18,469	18,469
	Total National Council on Disability		-	-	18,469	18,469
93	Department of Health & Human Services (HHS)					
	Contract / Other	93.Unknown	-	-	500,933	500,933
	Contract / Other	93.213-00-0005	-	-	16,164	16,164
	Total Contract / Other		-	-	517,097	517,097
	Public Health and Social Services Emergency Fund	93.003	-	-	9,902,071	9,902,071
	Cooperative Agreements to Improve the Health Status of Minority Populations	93.004	96,873	-	-	96,873
	Special Programs for the Aging: Title VII, Chapter 3: Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	-	-	91,919	91,919
	Special Programs for the Aging: Title VII, Chapter 2: Long Term Care Ombudsman Services for Older Individuals	93.042	-	-	353,268	353,268
	Special Programs for the Aging: Title III, Part D: Disease Prevention and Health Promotion Services	93.043	-	-	367,151	367,151
	Aging Cluster:					
	Special Programs for the Aging: Title III, Part B: Grants for Supportive Services and Senior Centers	93.044	-	-	6,301,398	6,301,398
	Special Programs for the Aging: Title III, Part C: Nutrition Services	93.045	-	-	8,463,467	8,463,467
	Nutrition Services Incentive Program	93.053	-	-	1,924,584	1,924,584
	Total Aging Cluster		-	-	16,689,449	16,689,449
	Special Programs for the Aging: Title IV and Title II: Discretionary Projects	93.048	-	-	408,997	408,997
	Pass-Through Comprehensive Housing Assistance, Inc.	93.048	-	-	31,136	31,136
	Total Special Programs for the Aging: Title IV and Title II: Discretionary Projects		-	-	440,133	440,133
	National Family Caregiver Support Program	93.052	-	-	2,345,902	2,345,902
	Food and Drug Administration: Research	93.103	-	-	265,116	265,116
	Minority International Research Training Grant in the Biomedical and Behavioral Sciences: Pass-Through American Psychological Association	93.106	-	-	27,345	27,345
	Maternal and Child Health Federal Consolidated Programs	93.110	-	-	467,258	467,258
	Maternal and Child Health Federal Consolidated Programs	93.110	(58)	-	-	(58)
	Total Maternal and Child Health Federal Consolidated Programs		(58)	-	467,258	467,200
	Biological Response to Environmental Health Hazards Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.113	-	-	168,199	168,199
	Acquired Immunodeficiency Syndrome (AIDS) Activity	93.116	-	-	1,446,366	1,446,366
	Small Business Innovation Research	93.118	-	-	337,122	337,122
	Emergency Medical Services for Children	93.126	-	-	19,108	19,108
	Primary Care Services: Resource Coordination and Development	93.127	-	-	111,071	111,071
		93.130	-	-	245,772	245,772

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Schedule of Expenditures of Federal Awards (continued)

	Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
93	Department of Health & Human Services (HHS) (continued)					
	Centers for Research and Demonstrations for Health Promotion and Disease Prevention	93.135	\$ -	\$ -	\$ 5,198	\$ 5,198
	Injury Prevention and Control Research and State and Community Based Programs	93.136	-	-	1,385,829	1,385,829
	Injury Prevention and Control Research and State and Community Based Programs	93.136	1,911	-	-	1,911
	Community Programs to Improve Minority Health Grant Programs	93.137	-	-	10,297	10,297
	AIDS Education and Training Centers:					
	Pass-Through Howard University	93.145	-	-	57,060	57,060
	Pass-Through Louisiana State University	93.145	-	-	52,868	52,868
	Total AIDS Education and Training Centers		-	-	109,928	109,928
	Projects for Assistance in Transition from Homelessness (PATH)	93.150	-	-	307,394	307,394
	Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	-	-	1,116,242	1,116,242
	Grants for State Loan Repayment	93.165	-	-	320,000	320,000
	Research related to Deafness and Communication Disorders	93.173	-	-	282,397	282,397
	Nursing Workforce Diversity	93.178	-	-	85,316	85,316
	National Research Services Awards	93.186	-	-	1,555	1,555
	Quenin N. Burdick Programs for Rural Interdisciplinary Training: Pass-Through Western Maryland Area Health Education Center	93.192	-	-	3,689	3,689
	Childhood Lead Poisoning Prevention Projects: State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	-	-	1,406,899	1,406,899
	Family Planning: Services	93.217	-	-	3,928,691	3,928,691
	Research on Healthcare Costs, Quality and Outcomes	93.226	4,289,080	-	-	4,289,080
	Consolidated Knowledge Development and Application (KD&A) Program	93.230	-	-	4,586,953	4,586,953
	Traumatic Brain Injury: State Demonstration Grant Program	93.234	-	-	100,000	100,000
	Abstinence Education	93.235	-	-	447,522	447,522
	Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement	93.238	-	-	100,000	100,000
	State Rural Hospital Flexibility Program	93.241	-	-	6,088	6,088
	Mental Health Research Grants	93.242	-	-	96,534	96,534
	Mental Health Research Grants	93.242	100,854	-	-	100,854
	Pass-Through the Kennedy Institute	93.242	133,752	-	-	133,752
	Total Mental Health Research Grants		234,606	-	96,534	331,140
	Substance Abuse and Mental Health Services: Projects of Regional and National Significance	93.243	-	-	614,057	614,057
	Advanced Education Nursing Grant Program	93.247	-	-	104,225	104,225
	Universal Newborn Hearing Screening	93.251	-	-	241,483	241,483
	State Planning Grant: Health Care Access for the Uninsured	93.256	-	-	520,795	520,795
	Rural Access to Emergency Devices Grant	93.259	-	-	199,171	199,171
	Immunization Grants	93.268	-	-	4,208,502	4,208,502
	Drug Abuse Research Programs	93.279	24,024	-	-	24,024
	Mental Health National Research Service Awards for Research Training	93.282	-	-	216,014	216,014
	Centers for Disease Control and Prevention:					
	Investigations and Technical Assistance	93.283	-	-	30,357,082	30,357,082
	Pass-Through John Hopkins University	93.283	-	-	12,370	12,370
	Total Centers for Disease Control and Prevention Investigations and Technical Assistance		-	-	30,369,452	30,369,452

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Schedule of Expenditures of Federal Awards (continued)

	Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
93	Department of Health & Human Services (HHS) (continued)					
	Discovery and Applied Research	93.286	\$ -	\$ -	\$ 340,743	\$ 340,743
	Small Rural Hospital Improvement Grants	93.301	-	-	38,912	38,912
	Clinical Research	93.333	-	-	370,693	370,693
	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	93.342	-	11,506,119	-	11,506,119
	Advanced Education Nursing Traineeships	93.358	-	-	336,877	336,877
	Nurse Education Practice and Retention Grants	93.359	-	-	81,018	81,018
	Nursing Student Loans	93.364	-	2,007,526	-	2,007,526
	Research Infrastructure	93.389	-	-	398,952	398,952
	Cancer Research Manpower	93.398	-	-	19,192	19,192
	Promoting Safe and Stable Families	93.556	-	-	13,012,475	13,012,475
	Temporary Assistance for Needy Families	93.558	-	-	177,585,104	177,585,104
	Child Support Enforcement	93.563	-	-	64,257,020	64,257,020
	Refugee and Entrant Assistance: State Administered Programs	93.566	-	-	3,518,195	3,518,195
	Low-Income Home Energy Assistance (LIHEAP)	93.568	-	-	28,584,557	28,584,557
	Community Services Block Grant (CSBG)	93.569	-	-	6,681,659	6,681,659
	Community Services Block Grant/Discretionary Awards	93.570	12,392	-	-	12,392
	Pass-Through NCAA NYSP Program	93.570	-	-	48,626	48,626
	Total Community Service Block Grant/ Discretionary Awards		12,392	-	48,626	61,018
	CCDF Cluster:					
	Child Care and Development Block Grant (CCDF)	93.575	-	-	60,086,843	60,086,843
	Child Care and Development Block Grant (CCDF): Pass-Through Chesapeake Community College – Maryland Child Care Center	93.575	-	-	54,528	54,528
	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	-	-	42,049,202	42,049,202
	Pass-Through Chesapeake Community College – Maryland Child Care Center	93.596	-	-	166,138	166,138
	Total CCDF Cluster		-	-	102,356,711	102,356,711
	Refugee and Entrant Assistance: Discretionary Grants	93.576	-	-	496,926	496,926
	Early Learning Fund (Early Learning Opportunity Act)	93.577	-	-	141,514	141,514
	U.S. Repatriation	93.579	-	-	560	560
	Empowerment Zones Program	93.585	-	-	12,345,000	12,345,000
	State Court Improvement Program	93.586	-	-	228,405	228,405
	Welfare Reform Research, Evaluations and National Studies	93.595	-	-	169,077	169,077
	Grants to States for Access and Visitation Programs	93.597	-	-	82,786	82,786
	Head Start	93.600	-	-	1,620,613	1,620,613
	Pass-Through the City of Baltimore	93.600	-	-	1,975,546	1,975,546
	Total Head Start		-	-	3,596,159	3,596,159
	Adoption Incentive Payments	93.603	-	-	301,693	301,693
	Runaway and Homeless Youth	93.623	-	-	157,597	157,597
	Developmental Disabilities Basic Support and Advocacy Grants	93.630	-	-	1,017,585	1,017,585
	Children's Justice Grants to States	93.643	-	-	362,109	362,109
	Child Welfare Services: State Grants	93.645	-	-	4,539,914	4,539,914
	Foster Care: Title IV-E	93.658	-	-	114,336,741	114,336,741
	Adoption Assistance	93.659	-	-	16,863,153	16,863,153
	Social Services Block Grant (SSBG)	93.667	-	-	54,938,192	54,938,192
	Child Abuse and Neglect State Grants	93.669	-	-	330,497	330,497
	Family Violence Prevention and Services / Grants for Battered Women's Shelters: Grants to States and Indian Tribes	93.671	-	-	1,420,216	1,420,216

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Schedule of Expenditures of Federal Awards (continued)

	Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
93	Department of Health & Human Services (HHS) (continued)					
	Chafee Foster Care Independent Living (CFCIP)	93.674	\$ -	\$ -	\$ 2,440,528	\$ 2,440,528
	State Children's Insurance Program (SCHIP)	93.767	-	-	170,460,351	170,460,351
	Medicaid Infrastructure Grant to Support the Competitive Employment of People with Disabilities	93.768	-	-	127,171	127,171
	Medicaid Cluster:		-	-		
	State Medicaid Fraud Control Units	93.775	-	-	1,396,246	1,396,246
	State Survey and Certification of Health Care Providers and Suppliers	93.777	-	-	4,986,198	4,986,198
	Medical Assistance Program (Medicaid)	93.778	-	-	2,454,626,891	2,454,626,891
	Pass-Through Actuarial Research Program	93.778	-	-	442	442
	Total Medicaid Cluster		-	-	2,461,009,777	2,461,009,777
	Centers for Medicare and Medicaid Services (CMS)					
	Research, Demonstrations and Evaluations	93.779	46,894	-	1,921,722	1,968,616
	Health Careers Opportunity Program: Pass-Through Western Maryland Area Health Education Program	93.822	-	-	201	201
	Digestive Disease and Nutrition Research	93.848	-	-	6,239	6,239
	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	-	-	1,478	1,478
	Microbiology and Infectious Diseases Research	93.856	-	-	-	-
	Pass-Through Johns Hopkins University	93.856	140,531	-	-	140,531
	Pass-Through University of Florida	93.856	-	-	7,106	7,106
	Total Microbiology and Infectious Diseases Research		140,531	-	7,106	147,637
	Biomedical Research and Research Training	93.859	-	-	135,530	135,530
	Biomedical Research and Research Training	93.859	281,238	-	-	281,238
	Pass-Through the City of Baltimore	93.859	706,711	-	-	706,711
	Total Biomedical Research and Research Training		987,949	-	135,530	1,123,479
	Child Health and Human Development Extramural Research	93.865	-	-	19,780	19,780
	Child Health and Human Development Extramural Research	93.865	197,723	-	-	197,723
	Aging Research	93.866	-	-	240,382	240,382
	Vision Research	93.867	16,419	-	-	16,419
	Medical Library Assistance	93.879	-	-	102,496	102,496
	Minority Access to Research Careers	93.880	-	-	220,335	220,335
	Grants to States for Operation of Offices of Rural Health	93.913	-	-	147,715	147,715
	HIV Emergency Relief Project Grants	93.914	-	-	211,125	211,125
	HIV Emergency Relief Project Grants	93.914	420	-	-	420
	HIV Care Formula Grants	93.917	-	-	27,076,946	27,076,946
	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	-	-	11,787,221	11,787,221
	Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925	-	133,356	-	133,356
	HIV Prevention Activities: Health Department Based	93.940	-	-	24,600	24,600
	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	-	-	2,385,970	2,385,970
	Assistance Programs for Chronic Disease Prevention and Control	93.945	-	-	23,717	23,717
	Improving EMS/Trauma Care in Rural Areas	93.952	-	-	31,999	31,999
	Block Grants for Community Mental Health Services	93.958	-	-	14,502,605	14,502,605
	Block Grants for Prevention and Treatment of Substance Abuse	93.959	-	-	34,697,347	34,697,347

State of Maryland

Schedule of Expenditures of Federal Awards (continued)

	Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
93	<u>Department of Health & Human Services (HHS)</u> (continued)					
	Special Minority Initiatives	93.960	\$ -	\$ -	\$ 109,092	\$ 109,092
	Preventive Health Services: Sexually Transmitted Diseases Control Grants	93.977	-	-	1,611,183	1,611,183
	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988	-	-	272,706	272,706
	Preventive Health and Health Services Block Grant	93.991	-	-	2,714,211	2,714,211
	Maternal and Child Health Services Block Grant to the States	93.994	-	-	11,762,637	11,762,637
	Pass-Through Johns Hopkins University	93.994	18,000	-	-	18,000
	Total Maternal and Child Health Services Block Grant to the States		18,000	-	11,762,637	11,780,637
	Administration on Aging	93.RD	-	-	-	-
	Pass-Through Sania Corporation	93.RD	4,767	-	-	4,767
	Pass-Through UT-Battelle	93.RD	(1,524)	-	-	(1,524)
	Total Administration on Aging		3,243	-	-	3,243
	Center for Disease Control	93.RD	5,345,884	-	-	5,345,884
	Pass-Through Albert Einstein Health Care Network	93.RD	31,705	-	-	31,705
	Pass-Through Johns Hopkins University	93.RD	6,486	-	-	6,486
	Total Pass-Through Center for Disease Control		38,191	-	-	38,191
	Total Center for Disease Control		5,384,075	-	-	5,384,075
	Food and Drug Administration	93.RD	512,921	-	-	512,921
	Pass-Through Texas Engineering Experiment Station	93.RD	87,353	-	-	87,353
	Total Food and Drug Administration		600,274	-	-	600,274
	Health Resources and Services Administration	93.RD	332,769	-	-	332,769
	Pass-Through Howard University	93.RD	18	-	-	18
	Pass-Through Smithsonian Astrophysical Observatory	93.RD	133,944	-	-	133,944
	Pass-Through Spire Corporation	93.RD	48,680	-	-	48,680
	Total Pass-Through Health Resources and Services Administration		182,642	-	-	182,642
	Total Health Resources and Services Administration		515,411	-	-	515,411
	National Institutes of Health	93.RD	173,266,288	-	-	173,266,288
	Pass-Through Advanced Science Laboratory	93.RD	223,643	-	-	223,643
	Pass-Through American Registry of Pathology	93.RD	4,082	-	-	4,082
	Pass-Through Boston University	93.RD	45,381	-	-	45,381
	Pass-Through Children's Research Institute	93.RD	76,863	-	-	76,863
	Pass-Through Columbia University	93.RD	386,146	-	-	386,146
	Pass-Through Cornell University	93.RD	108,860	-	-	108,860
	Pass-Through Hartford University	93.RD	46,304	-	-	46,304
	Pass-Through Johns Hopkins University	93.RD	79,614	-	-	79,614
	Pass-Through Kennedy Kreiger Institute	93.RD	82,409	-	-	82,409
	Pass-Through New York University	93.RD	181,628	-	-	181,628
	Pass-Through Oregon Health Sciences	93.RD	58,713	-	-	58,713
	Pass-Through RAND Corp.	93.RD	38,887	-	-	38,887
	Pass-Through Thomas Jefferson University	93.RD	68,228	-	-	68,228
	Pass-Through Tuskegee University	93.RD	5,277	-	-	5,277
	Pass-Through University of Cincinnati	93.RD	130,064	-	-	130,064
	Pass-Through University of Indiana	93.RD	22,909	-	-	22,909
	Pass-Through University of Massachusetts	93.RD	203,679	-	-	203,679
	Pass-Through University of North Carolina at Chapel Hill	93.RD	26,134	-	-	26,134
	Pass-Through University of Pennsylvania	93.RD	249,869	-	-	249,869
	Pass-Through University of Texas	93.RD	35,008	-	-	35,008
	Pass-Through University of Utah	93.RD	23,902	-	-	23,902
	Total Pass-Through National Institutes of Health		2,097,600	-	-	2,097,600
	Total National Institutes of Health		175,363,888	-	-	175,363,888

State of Maryland

Schedule of Expenditures of Federal Awards (continued)

	Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
93	<u>Department of Health & Human Services (HHS)</u> (continued)					
	Administration for Children and Families Pass-Through Center for Adoption Support and Education Inc.	93.RD	\$ 510,676	\$ -	\$ -	\$ 510,676
	Total Administration for Children and Families	93.RD	54,133	-	-	54,133
	Centers for Medicare and Medicaid Services: Pass- Through Delmarva Foundation for Medical Care	93.RD	156,206	-	-	156,206
	Office of the Secretary	93.RD	110,854	-	-	110,854
	Substance Abuse and Mental Health Services Administration	93.RD	29,397	-	-	29,397
	Total HHS		188,794,921	13,647,001	3,437,579,606	3,640,021,528
94	<u>Corporation for National and Community Service (CNCS)</u>					
	State Commissions	94.003	-	-	254,605	254,605
	Learn and Serve America: School and Community Based Programs	94.004	-	-	187,679	187,679
	Learn and Serve America: Higher Education	94.005	-	-	93,485	93,485
	Pass-Through University of North Carolina, Chapel Hill	94.005	-	-	9,000	9,000
	Total Pass-Through Learn and Serve America: Higher Education		-	-	102,485	102,485
	AmeriCorps	94.006	-	-	4,307,372	4,307,372
	Planning and Program Development Grants	94.007	-	-	62,893	62,893
	Training and Technical Assistance	94.009	-	-	38,754	38,754
	Foster Grandparent Program	94.011	-	-	633,769	633,769
	Volunteers in Service to America (VISTA)	94.013	-	-	20,562	20,562
	Corporation for National and Community Service	94.RD	83,042	-	-	83,042
	Total CNCS		83,042	-	5,608,119	5,691,161
96	<u>Social Security Administration (SSA)</u>					
	Contract/Other	96.Unknown	-	-	(337,651)	(337,651)
	Social Security: Disability Insurance	96.001	-	-	23,804,835	23,804,835
	Supplemental Security Income (SSI)	96.006	-	-	1,958,125	1,958,125
	Total Disability Insurance/SSI Cluster		-	-	25,762,960	25,762,960
	Social Security: Research and Demonstration	96.007	-	-	8,512	8,512
	Social Security Benefits Planning, Assistance, and Outreach Program	96.008	-	-	13,023	13,023
	Developmental Disabilities Project	96.631	-	-	4,382	4,382
	Total SSA		-	-	25,451,226	25,451,226
97	<u>Homeland Security</u>					
	State Domestic Preparedness Equipment Support Program	97.004	-	-	9,940,772	9,940,772
	Urban Areas Security Initiative	97.008	-	-	1,533,091	1,533,091
	Boating Safety Financial Assistance	97.012	-	-	1,863,227	1,863,227
	Hazardous Materials Assistance Program (CERCLA Implementation)	97.021	-	-	17,144	17,144
	Community Assistance Program State Support Services Element (CAP-SSSE)	97.023	-	-	98,098	98,098
	Flood Mitigation Assistance (FMA)	97.029	-	-	109,678	109,678
	Crisis Counseling	97.032	-	-	819,586	819,586
	Public Assistance Grants	97.036	-	-	29,303,109	29,303,109
	Hazard Mitigation Grant (HMGP)	97.039	-	-	1,109,664	1,109,664
	Chemical Stockpile Emergency Preparedness Program (CSEPP)	97.040	-	-	1,240,869	1,240,869

State of Maryland

Schedule of Expenditures of Federal Awards (continued)

	Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
97	<u>Homeland Security</u> (continued)					
	Emergency Management Performance Grants (EMPG)	97.042	\$ -	\$ -	\$ 2,855,081	\$ 2,855,081
	Assistance to Firefighters Grant (Fire Grants)	97.044	-	-	17,709	17,709
	Pre-Disaster Mitigation (PDM)	97.047	-	-	61,302	61,302
	Federal Assistance to Individuals and Households Other Needs	97.050	-	-	8,108,606	8,108,606
	State and Local All Hazards Emergency Operations Planning	97.051	-	-	1,012,436	1,012,436
	Emergency Operations Centers	97.052	-	-	451	451
	Citizen Corps	97.053	-	-	69,615	69,615
	Community Emergency Response Teams (CERT Program)	97.054	-	-	7,352	7,352
	Department of Homeland Security	97.213-00-005	-	-	977,513	977,513
	Total Homeland Security		-	-	59,145,303	59,145,303
	Total federal expenditures		\$ 429,346,676	\$ 600,032,088	\$ 6,439,909,307	\$ 7,469,288,071

State of Maryland

Notes to the Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

1. Single Audit Reporting Entity

The State includes expenditures in its Schedule of Expenditures of Federal Awards for all federal programs administered by the same funds, agencies, boards and commissions, including component units, included in the State's reporting entity used for its basic financial statements including the component unit higher education funds—the University System of Maryland, the Baltimore City Community College, Morgan State University, and St. Mary's College of Maryland except for the Maryland Water Quality Financing Administration of the Maryland Department of the Environment. A separate single audit is conducted for this entity which is part of an enterprise fund of the State of Maryland.

2. Basis of Accounting

Except as otherwise noted, the Schedule of Expenditures of Federal Awards has been presented on the accrual basis of accounting. Expenditures are recorded, accordingly, when incurred rather than when paid. Expenditures for CFDA No. 20.205, Highway Planning and Construction Program, are presented on the basis that expenditures are reported to the U.S. Department of Transportation. Accordingly, certain expenditures are recorded when paid and certain other expenditures are recorded when incurred.

The noncash expenditures of \$14,615,000 reported under CFDA No. 10.550, Food Donation, represent the value of food commodity distributions calculated using the U.S. Department of Agriculture, Food and Nutrition Service commodity price list in effect as of July 1, 2003. These food commodities were received by the Maryland Department of Education from the U.S. Department of Agriculture for the year ended June 30, 2004.

The noncash expenditures of \$3,667,297 relating to the Emergency Food Assistance Program, reported under CFDA No. 10.569, Emergency Food Assistance Program (Food Commodities), represent the value of food commodity distributions calculated using the U.S. Department of Agriculture, Food and Nutrition Service commodity price list in effect as of July 1, 2003. These food commodities were received by the Maryland Department of Human Resources from the U.S. Department of Agriculture for the year ended June 30, 2004.

Expenditures reported under CFDA No. 10.551, Food Stamps, represent the fair market value of food stamps distributed for participants' food stamp purchases during fiscal year ended June 30, 2004.

State of Maryland

Notes to the Schedule of Expenditures of Federal Awards (continued)

2. Basis of Accounting (continued)

Amounts reported as noncash expenditures for CFDA No. 39.003, Donation of Federal Surplus Personal Property, represent the average fair market value percentage per the General Services Administration (GSA) of 25% of the federal government's original acquisition cost (OAC) of the federal property transferred to recipients by the State.

3. Categorization of Expenditures

The Schedule of Expenditures of Federal Awards reflects federal expenditures for all individual grants, which were active during the year. The categorization of expenditures by program included in the Schedule of Expenditures of Federal Awards is based on the Catalog of Federal Domestic Assistance (CFDA). Changes in the categorization of expenditures occur based on revisions to the CFDA, which are issued in June and December of each year. In accordance with the State's policy, the Schedule of Expenditures of Federal Awards for the fiscal year ended June 30, 2004 reflects CFDA changes issued through December 2003.

4. State Nonmonetary Federal Financial Assistance

The State distributes federal surplus food to institutions (schools, hospitals, and prisons) and to the needy. The total inventory balance of federal surplus food on hand as of June 30, 2004 was \$555,893 for CFDA No. 10.550, Food Donation Program. The surplus food was valued using the U.S. Department of Agriculture, Food and Nutrition Service commodity price list in effect as of June 30, 2004.

Because the State has completely converted to electronic benefits transfer (EBT), there were no unissued food stamps on hand at June 30, 2004.

The value of donated federal surplus property on hand at June 30, 2004 was \$565,173 which represents the GSA's OAC of the property. When the related surplus property is transferred to recipients, it is valued at 25% of its OAC, which represents an estimated fair market value of the property transferred. The adjusted amount is reported as a noncash expenditure in the Schedule of Expenditures of Federal Awards under CFDA No. 39.003, Donation of Federal Surplus Personal Property Program.

State of Maryland

Notes to the Schedule of Expenditures of Federal Awards (continued)

5. Other Audit Findings

Other audit reports exist which have also identified findings and questioned costs affecting the State's various federal programs during the year ended June 30, 2004. Because those issues have been previously reported to the affected federal agencies and based on guidance received from the State's cognizant agency, the issues identified in other audit reports have not been repeated in the single audit findings and questioned costs for the year ended June 30, 2004.

The State believes that none of the matters questioned will have a significant impact on the Schedule of Expenditures of Federal Awards.

6. Unemployment Insurance

In accordance with the Department of Labor, Office of Inspector General instructions, the State recorded State Regular Unemployment Compensation (UC) benefits under CFDA No. 17.225 on the Schedule of Expenditures of Federal Awards. The individual state and federal portions are as follows:

State Regular UC benefits	\$ 517,739,129
Federal UC benefits	83,870,265
Federal UC administrative costs	<u>64,096,428</u>
Total benefits	<u><u>\$ 665,705,822</u></u>

7. Federal Mortgage Programs

The State operates several programs which purchase federally guaranteed loans, primarily mortgages, from the originators. As the State has no responsibility for determining eligibility or compliance, these guarantees are not considered federal financial assistance for purposes of the single audit.

State of Maryland

Notes to the Schedule of Expenditures of Federal Awards (continued)

8. Loan Programs

St. Mary's College of Maryland

The College administers the Federal Perkins Loan Program – Federal Capital Contributions (CFDA No. 84.038). The outstanding loan balance of \$409,902 at June 30, 2003, and the loan expenditures of \$189,450 for the fiscal year ended June 30, 2004 are considered current year federal expenditures. These amounts are reported in the Schedule of Expenditures of Federal Awards.

During the fiscal year ended June 30, 2004, the College processed the following amount of new loans under the Federal Family Education Loan Program (which includes the Stafford Loan and PLUS loan). Since this program is administered by outside financial institutions, new loans made in the fiscal year ended June 30, 2004 relating to this program are considered current year federal expenditures, whereas the outstanding loan balances are not. The new loans made in the fiscal year ended June 30, 2004 are reported in the Schedule of Expenditures of Federal Awards.

<u>CFDA Number</u>		<u>Loan Expenditures for Fiscal Year Ended June 30, 2004</u>
84.032	Stafford Loan Program	\$ 3,601,405
84.032	PLUS	4,365,411
		<u>\$ 7,966,816</u>

Baltimore City Community College

The College administers the Federal Perkins Loan Program – Federal Capital Contributions (CFDA No. 84.038) and Nursing Student Loans (93.364). The outstanding loan balances at June 30, 2003 were \$210,119 and \$14,343, respectively. There were no new loans made in the fiscal year ended June 30, 2004. The outstanding balances are considered current year federal expenditures. These amounts are reported in the Schedule of Expenditures of Federal Awards.

State of Maryland

Notes to the Schedule of Expenditures of Federal Awards (continued)

8. Loan Programs (continued)

Morgan State University

The University administers the Federal Perkins Loan Program – Federal Capital Contributions (CFDA No. 84.038). The outstanding loan balance of \$3,368,530 at June 30, 2003, and the loan expenditures of \$515,083 for the fiscal year ended June 30, 2004 are considered current year federal expenditures. These amounts are reported in the Schedule of Expenditures of Federal Awards.

During the fiscal year ended June 30, 2004, the University processed \$22,055,177 of new loans under the Federal Direct Loan Program (CFDA No. 84.268). Since this program is administered by outside financial institutions, new loans made in the fiscal year ended June 30, 2004 relating to this program are considered current year federal expenditures, whereas the outstanding loan balances are not. The new loans made in the fiscal year ended June 30, 2004 are reported in the Schedule of Expenditures of Federal Awards.

University System of Maryland

The System administers the following federal student financial assistance programs:

CFDA Number		Outstanding Balance at June 30, 2003	Loan Expenditures for Fiscal Year Ended June 30, 2004
84.038	Perkins Loan Program	\$ 56,537,788	\$ 12,047,051
93.364	Federal Nursing Loan – Undergraduate	1,410,228	390,450
93.364	Federal Nursing Loan – Graduate	192,388	–
93.342	Health Professional Loan – Dental	3,911,547	1,328,125
93.342	Health Professional Loan – Medical	903,598	–
93.342	Health Professional Loan – Pharmacy	854,308	260,250
93.342	Primary Care Loan	3,729,985	518,306
		<u>\$ 67,539,842</u>	<u>\$ 14,544,182</u>

The outstanding loan balances at June 30, 2003 and the loan expenditures for the fiscal year ended June 30, 2004 are considered current year federal expenditures. These amounts are reported on the Schedule of Expenditures of Federal Awards.

State of Maryland

Notes to the Schedule of Expenditures of Federal Awards (continued)

8. Loan Programs (continued)

University System of Maryland (continued)

During the fiscal year ended June 30, 2004, the System processed the following amount of new loans under the Federal Family Education Loan Program (which includes the Stafford Loan and PLUS loan) and the Direct Loan program. Since these loan programs are administered by outside financial institutions, new loans made in the fiscal year ended June 30, 2004 relating to these programs are considered current year federal expenditures, whereas the outstanding loan balances are not. The new loans made in the fiscal year ended June 30, 2004 are reported in the Schedule of Expenditures of Federal Awards.

<u>CFDA Number</u>		<u>Loan Expenditures for Fiscal Year Ended June 30, 2004</u>
84.032	Stafford Loan Program	\$ 182,709,866
84.032	PLUS	29,549,435
84.268	Subsidized Ford Federal Direct Student Loan	82,868,692
84.268	Unsubsidized Ford Federal Direct Student Loan	72,625,120
84.268	Ford Federal Direct Parent Loan	32,278,337
		<u>\$ 400,031,450</u>

The System also administers loans under the Economic Adjustment Assistance Program (CFDA No. 11.307). Under this program, the System uses revolving loan funds to enhance economic activity. The revolving loan fund assists business development and expansion. The outstanding loan balance at June 30, 2003 of \$5,047,230 and new loans made in the fiscal year ended June 30, 2004 of \$22,725 are considered current year federal expenditures and are reported in the Schedule of Expenditures of Federal Awards.

State of Maryland

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Section I – Summary of Auditors’ Results

Financial Statement Section

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Reportable conditions(s) identified that are not considered to be material weaknesses? X Yes No

Noncompliance material to financial statements noted? Yes X No

Federal Awards Section

Internal control over major programs:

- Material weakness(es) identified? X Yes No
- Reportable conditions(s) identified that are not considered to be material weaknesses? X Yes No

Type of auditors’ report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (Section .510(a))? X Yes No

Identification of Major Programs:

CFDA Numbers	Name of Federal Program or Cluster	Federal Expenditures
Major programs were determined by Ernst & Young LLP		
Major programs audited by Ernst & Young LLP:		
20.205 and 23.003	Highway Planning and Construction Cluster	\$ 502,693,465
21.000	Joint Tax Rebate Relief Act	90,054,065

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Identification of Major Programs (continued):

CFDA Numbers	Name of Federal Program or Cluster	Federal Expenditures
Major programs audited by Ernst & Young LLP (continued):		
84.007, 84.032, 84.033, 84.038, 84.063, 84.268, 93.925, 93.342, and 93.364	Student Financial Aid Cluster	\$ 600,032,088
93.775, 93.777 and 93.778	Medicaid Cluster	2,461,009,777
Various	Research and Development Cluster	429,346,676
Major programs audited by Zelenkofske Axelrod LLC:		
10.553, 10.555, 10.556 and 10.559	Child Nutrition Cluster	109,112,572
17.258, 17.259 and 17.260	Workforce Investment Act Cluster	44,652,792
84.367	Improving Teacher Quality State Grants	39,276,286
93.283	Centers for Disease Control Prevention: Investigations and Technical Assistance	30,369,452
97.036	Public Assistance Grants	29,303,109
Major programs audited by Abrams, Foster, Nole and Williams, P.A.:		
10.551 and 10.561	Food Stamp Cluster	319,277,459
93.563	Child Support Enforcement	64,257,020
93.659	Adoption Assistance	16,863,153

Dollar threshold used to determine Type A programs \$ 22,407,864

Auditee qualified as low-risk auditee? Yes X No

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section II – Financial Statement Findings

Finding 2004-1

Comptroller of Maryland – General Accounting Division Improvements of Comprehensive Annual Financial Report (CAFR) Preparation Process

Condition:

The State of Maryland does not have a sound framework to prepare accurate financial statements on a timely basis. First of all, the various accounting and financial reporting functions are decentralized throughout the various state agencies. The finance personnel in these agencies do not report to the Comptroller of Maryland's General Accounting Division (GAD). Additionally, many State agencies do not use the R*STARS accounting system in a consistent fashion. Some agencies use their own agency specific adaptations of R*STARS and some agencies use homemade and agency specific grant accounting and cash management systems because there is no centralized statewide cash management system or statewide centralized use of R*STARS as a grant accounting system.

Additionally, the Comptroller at certain times has to use financial information from agency's (e.g., MDOT) final audited financial statements to consolidate into the CAFR because internal unaudited financial information from certain agencies are many times not accurate. Having to wait for final audited financial statements in order to have accurate information to consolidate into the CAFR adversely impacts the timing of the financial statements.

Also, the Comptroller's office personnel are processing numerous entries to put the CAFR together. This manual process of data collection appears to make the process procedural in nature, thus, the objective of analyzing all of the data received from the various agencies and component units is not always achieved. The staff devoted to the CAFR process is not able to challenge the accuracy and completeness of information provided. The supervisory reviews and crosschecking within GAD are not beneficial since the underlying data is not always being validated.

Cause:

The Comptroller's procedure over the financial statement preparation is a manual intensive process that requires a significant amount of data collection, interpretation and manipulation. The State does not have a reliable centralized cash management system nor a general ledger reporting grant accounting system that can be relied on.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section II – Financial Statement Findings (continued)

Finding 2004-1 (continued)

Effect:

Due to the manual intensive financial statement preparation process, adequate supervisory reviews may not always occur and as a result, internal controls can be improved over ensuring the accuracy of data utilized in the financial statement preparation process.

Recommendation:

The GAD should analyze their current process for financial statement preparation. The GAD should explore procedures that would assist in the reduction of the intensive manual process of financial statement preparation. GAD should make appropriate inquiries to financial data presented to them prior to recording State entries.

Auditee Response and Corrective Action Plan:

The State of Maryland has a sound framework to prepare accurate financial statements on a timely basis. This is inferred by the timely submission of the CAFR to the Government Finance Officers Association and the State's receipt of the Certificate of Excellence in Financial Reporting for 24 consecutive years. The Constitution of Maryland provides that the Comptroller and Governor are separately elected officials, and while the Constitution gives the Comptroller "general superintendence of the fiscal affairs of the State," independent state agencies, departments and their related financial personnel report to the Governor. Prior recommendations to reorganize and consolidate all agency fiscal functions under the Comptroller have been rejected as unacceptable.

R*STARS was adopted as an agency-based system to satisfy both the required legal level of reporting, and to give agencies the flexibility needed for their statutory accounting purposes. Although a centralized Statewide grant accounting system is a project, which the State has considered, it has not been developed due to the complexities and costs involved (e.g., labor cost distribution system). We require independent audits of the special revenue fund, the enterprise funds, and the component units to enhance internal control and agency accountability. We currently use the templates and unaudited draft financial statements once the agency advises us that the information is essentially complete. In certain circumstances, this results in placing a premium on accuracy versus haste (see previous comment on timeliness). Until the General Accounting Division receives the final audited financial statements, the CAFR cannot be completed.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section II – Financial Statement Findings (continued)

Finding 2004-1 (continued)

The General Accounting Division will review the manual journal entries to make sure they are still applicable. In many instances, we do accrual and reclass entries, and we ask the fiscal officers or the responsible accounting personnel of the agencies to provide the information. Although we may ask questions of the fiscal officers concerning the information provided, we do not believe it is an appropriate use of our time and resources for the General Accounting Division's personnel to validate the information provided.

Since the State is not on a full accrual basis of accounting for budgetary purposes, there are entries (adjustments) which must be made to the State's budgetary accounting records contained in our centralized, statewide accounting system (R*STARS). In addition, the majority of the manual journal entries are simply reclassifications of budgetary information for compliance with GAAP requirements. This is not indicative of a lack of internal controls. The State firmly believes that there are strict controls over the recording of federal funds in R*STARS, even though the statewide accounting is at the appropriation rather than the individual grant level. In addition, the State strongly contends that the State's controls are more than sufficient to provide reasonable assurance that the State is reporting its financial activity without material misstatement.

While we appreciate the auditors' comments, we find the stated effect vague and lacking in specificity resulting in a questionable recommendation.

Auditor's Conclusion:

Based on the above, the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section II – Financial Statement Findings (continued)

Finding 2004-2

University System of Maryland Financial Reporting and Analysis

Lack of Integrated Financial Management Systems

The System and the various institutions each utilize an accounting system, including various subsidiary ledgers and applications that provide transactional and account balance information, to manage their day-to-day financial operations. The information from the accounting system serves as the basis for the current process of preparing financial statements. In general, the accounting system has been implemented to satisfy budgetary accountability requirements established by the State of Maryland, as well as provide real-time information necessary to satisfy the principal operational objectives: education, public service, and research.

The accounting system, as currently implemented, does not readily provide the information required to prepare financial statements in accordance with Generally Accepted Accounting Principles (GAAP). A largely manual, and highly distributed, process is required to convert the information recorded in the institutions' accounting systems from the budgetary basis to that required to present financial statements on an accrual basis of accounting. In addition to the effort required to convert the information recorded in the accounting systems to an accrual basis of accounting, information associated with the System's debt financing program, the investment pool representing the Common Trust Fund, and in many cases depreciation accounting are all reflected in the financial statements through manual adjustments recorded only for purposes of satisfying external financial reporting objectives.

The current process for preparing the System's financial statements requires a large number of manual adjustments to reflect the transactions noted above that are not recorded throughout the year in the accounting system. The degree and extent of these adjustments heightens the risk of material misstatements in the financial statements, as well as the time and effort required to complete the preparation process.

We recommend that the System and the institutions perform the following:

- Implement an accounting system that will allow for the maintenance of accrual and budgetary accounting.
- Allow an interface between the institutions' accounting systems and that of the System Office.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section II – Financial Statement Findings (continued)

Finding 2004-2 (continued)

- Generate the financial statements off of the accounting system.
- Perform the financial statement close process on a monthly or quarterly basis rather than once a year.

University System of Maryland Response

The System has embarked on a process that will accomplish many of the objectives underlying the recommendations of the auditors. This plan, which was formulated in response to similar concerns raised during the FY 03 financial statement audit process, consists of two primary components: encourage (in the short term) and require (in the long term) institutions to account for all activities in their accounting systems in a manner that satisfies both budgetary accountability objectives and general-purpose financial reporting objectives, and develop an interface between the institutions and the System Office to facilitate and improve the preparation of general-purpose financial statements. We believe that these steps will greatly reduce the degree of manual preparation of information that goes into preparing the financial statements and, accordingly, reduce the risk that basic steps are neglected or done in error.

During the FY 04 financial reporting process, the University of Maryland College Park and Frostburg State University both made significant progress in adapting their current accounting systems to provide information that would both satisfy budgetary accountability objectives and facilitate the preparation of accrual-based financial statements. Many of the other System institutions are in the midst of accounting system conversions that will continue through the next few reporting cycles, and as institutions implement these new accounting systems, we intend to encourage that each adapt to provide for both budgetary basis and general-purpose financial reporting objectives.

We have begun internal discussions about developing an interface between institutions and the System Office to facilitate the preparation of general-purpose financial statements, review and approval, and posting of proposed journal entries and to perform certain checks and analytical review steps. The System hopes to deploy such an interface for the FY 05 financial reporting process.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section II – Financial Statement Findings (continued)

Finding 2004-2 (continued)

The Board of Regents Audit Committee recently has expressed a strong interest in preparing interim financial statements. The System is currently planning the preparation of interim, accrual-based financial statements for the six months ended December 31, 2005. These initial interim financial statements may not include adjustments for the changes in certain balance sheet items such as accrued annual leave, which changes in minor increments from year to year, or the liability for accrued workers' compensation, which results from an actuarial valuation of a state-sponsored fund, but will be accrual-based in all other respects that are cost-effective for internal-use financial statements.

Analysis and Reporting

Although the System continues to enhance processes of reconciliation and analysis, we found that certain reconciliation processes were not adequately performed to ensure that differences were properly identified, researched, and resolved in a timely manner and that account balances were complete and accurate.

The following provides examples we noted that need enhanced periodic reconciliation and analysis procedures:

University of Maryland University College (UMUC):

- During our testing of deferred revenue, we noted that UMUC's calculation for FY 03 and FY 04 was incorrect due to human error. In reviewing the calculation of summer deferred revenue, we noted that the institution did not change the cell formulas from the prior year; therefore, the calculation was incorrect. An audit adjustment of approximately \$2.6 million to correctly state deferred revenue was proposed and made. The impact on FY 03 was approximately \$3 million.
- It is part of UMUC's procedures to reconcile third-party accounts receivable on a monthly basis. We noted that as of October 13, 2004, the June 2004 third-party accounts receivable reconciliation had not been prepared. It had only been prepared through April 2004.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section II – Financial Statement Findings (continued)

Finding 2004-2 (continued)

University of Maryland Baltimore (UMB):

- Spreadsheets are used to keep track of the capital assets and calculate depreciation expense. During the audit, it was found that one of the cells that contains the year needed to be incremented each year and was not, resulting in the miscalculation of depreciation expense. In addition, infrastructure had never been depreciated; it was capitalized but not depreciated. The adjustment to correct the July 1, 2002 fixed asset figure was \$14,446,069. An adjustment was made to fixed assets and the net asset category, invested in capital assets, as of July 1, 2002.
- During the audit, it was noted that approximately \$4.2 million relating to an accrual of accounts payable as of June 30, 2002 had not been reversed in FY 03. The amount was corrected in the current year.
- During testing of the restricted accounts receivable, it was discovered that approximately \$5 million relating to a restricted accounts receivable – private was being double counted and needed to be reversed. Only \$1 million related to FY 04, and the remaining \$4 million related to the prior year.

University of Maryland Eastern Shore (UMES):

- As noted during FY 03, there are improvements that still need to be made relating to the UMES approach to recording fixed assets. During FY 04, it was noted that a detailed asset register supporting the financial statement figures had not been completed. It had been done for equipment, and some effort had been expended on buildings, but the follow-through in detailing construction in process and detailing out infrastructure had not been done. At the point of the audit, the figures were coming in focus, and detail registers for each had been prepared. A significant part of the problem last year was the assumption that the new Student Services Center had been moved to buildings and was identified last year as a part of that composition; however, when construction in process was finally detailed, UMES found that the balance in construction in process also included the Student Services Center. The adjustment to correct the July 1, 2002 fixed asset figure was \$19,879,697. An adjustment was made to fixed assets and the net asset category, invested in capital assets, as of July 1, 2002.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section II – Financial Statement Findings (continued)

Finding 2004-2 (continued)

The System and its institutions need to perform more effective periodic reviews and analyses of their general ledger accounts and financial statements.

We encourage the System and the institutions to make sure that closing procedures are performed accurately and reconciliations of accounts and balances are being done, differences are being accounted for in a timely manner, reconciliations are actually being done to provide value to management and not just as part of the GAAP conversion process, and there is evidence of reviewer and preparer sign-offs.

University of Maryland University College Response

The UMUC Office of Finance has recently been reorganized under the leadership of a new management team. Strong support of upper management has allowed for the additional hiring of many key positions and the establishment of new teams tasked with responsibilities involving reconciliation and PeopleSoft support. The overall skill level has increased considerably as the new team members include five CPAs along with other highly skilled accounting professionals. The new management team will be assigning specific tasks and responsibilities to individuals and teams to create a more proficient and motivated work force.

In addition to the improvements in skills and management, UMUC has recently implemented PeopleSoft's Financial Management System software to administer all accounting records within the University. PeopleSoft enables end users to run reports and queries on an ad hoc basis directly from the database. Frequent report generation and review by management will allow for more timely reviews and error correction, where required. The new management team is confident that the increased financial expertise in combination with the new software will lead to a significant change in the Office of Finance leading to higher levels of accounting accuracy and timeliness.

Management will review financial statement data on both the functional and upper management levels. PeopleSoft will be configured to take full advantage of the system capabilities and allow for financial statement generation directly from the database in automated fashion. Some manual adjustments will still be required, but significantly fewer than that of the legacy system. The review process will assist in catching human error such as the deferred revenue cell formula correction.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section II – Financial Statement Findings (continued)

Finding 2004-2 (continued)

The Office of Finance’s new management team is undertaking a thorough review of all accounts in the general ledger with an eye towards improving the reconciliation processes. All critical areas identified will be assigned to accountants within the Office of Finance who will be charged with the responsibility to reconcile these accounts on a monthly basis. Management review and sign off will be required.

University of Maryland Baltimore Response

The University of Maryland Baltimore will develop a formal review process of activities relevant to the financial reporting process along with appropriate documentation beginning FY 05. We will review our internal controls to ensure that errors can be detected in a timely manner.

University of Maryland Eastern Shore Response

UMES agrees with the auditor’s assessment above. Although significant progress was made, personnel changes inhibited our efforts to become fully compliant. UMES is fully committed to satisfactorily resolving the fixed assets issues prior to the FY 05 financial process.

Controls Surrounding Processes Need Strengthening

Control activities should be effective and efficient in accomplishing the System’s objectives. Examples of control activities relevant to the financial reporting process include: top-level reviews, reviews by management at the functional or activity level, segregation of duties, proper execution of transactions, accurate and timely recording of transactions, and appropriate documentation of transactions and the performance of internal controls. These control procedures help ensure that errors and irregularities are detected in a timely manner.

The following provides examples in which we noted that the controls surrounding the processes need to be strengthened:

- Accounts Receivable—During our review, we noted certain weaknesses in the accounting for accounts receivable. For example:
 - During our testing of UMUC’s payment plan receivable, we noted that 3 out of 10 sample items indicated that the accounts receivable balance per the general ledger records was different than what was actually indicated from our review of subsequent cash receipts.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section II – Financial Statement Findings (continued)

Finding 2004-2 (continued)

- During our testing of UMUC’s intercampus contracts accounts receivable, we noted that 4 out of 10 sample items indicated that a cash receipt had been received; however, the accounts receivable balance was still remaining. The cash receipts were received in 2002 and 2003.
- During our testing of UMUC’s third-party accounts receivable, we noted that for 1 out of 18 sample items, the balance per the detail was \$1,506; however, the amount according to the general ledger was \$5,705, a difference of \$4,199.
- Payroll—During our testing of payroll, we noted the following issue:
 - During our payroll test of controls at UMUC, we noted that for 1 out of 25 sample items, an employee was paid twice.

University of Maryland University College Response

UMUC requests more detail on the three findings regarding reconciliation of areas within accounts receivable. These areas will be subject to the above-mentioned comprehensive review of accounts. Additional detail will assist us in responding and addressing the concerns raised.

The Payroll process for payment of contractual employees will be reviewed by UMUC. This is an area that management is aware has risk of error. In the coming months, the responsibility for the accuracy of these payments will be moved from the departments to Payroll. This will ensure more comprehensive review and accuracy.

Inconsistent Policies and Procedures

During our audit we noted that there are some inconsistencies in accounting policies and procedures throughout the System. For example, we noted the following:

- An issue arose as to whether to include fall billings as accounts receivable as of June 30, 2004. Some institutions do not include them and some do include them. Because of this inconsistency in the accounting treatment, an audit adjustment of approximately \$6.1 million to reverse those billings that were included in accounts receivable as of June 30, 2004 was proposed and made. The impact on FY 03 was approximately \$5.2 million.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section II – Financial Statement Findings (continued)

Finding 2004-2 (continued)

- Accrued Vacation—During our testing of accrued vacation, we noted that some institutions keep track of their employees' vacation in different ways. For example, at UMB, we noted the following issue:
 - We obtained the detail of accrued vacation by employee showing accrued leave balances as of June 30, 2004. We were unable to pick a sample of employees in order to validate their leave balance as of June 30, 2004 because the calculation of accrued vacation is not based on actual vacation hours earned less vacation used, but a formula (i.e., annual salary/26 pay periods/10 working days in a pay period times unused annual leave days).

We encourage the System and the institutions to review their policies and procedures to make sure that they are consistent.

University System of Maryland Response

The System will consider the types of transactions or events that are susceptible to different accounting treatments at the various institutions, and develop agreed-upon System-wide accounting treatments to be followed by all institutions in preparing the audited financial statements.

University of Maryland Baltimore Response

UMB will institute a reporting mechanism to insure that the accrued vacation liability is more accurately reflected in the financial statements.

In addition we recommend that the System and the institutions perform the following:

- Set realistic internal deadlines taking into account unanticipated issues that could delay the completion of the reporting phase of the year-end close.
- Identify the critical financial activities that should be performed on a periodic basis during the year that are currently performed only at year-end, and implement appropriate changes to correct the deficiencies.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section II – Financial Statement Findings (continued)

Finding 2004-2 (continued)

- Evaluate processes to identify opportunities to eliminate rework and improve processing times as well as the quality of the information.
- Establish key cutoff dates for determining when final reports can be issued.

University System of Maryland Response

The System is currently planning discussions with each institution to review the FY 04 financial statement preparation process and begin planning for the FY 05 financial statement preparation process. The minimum standard of documentation for financial statement elements, particularly the balance sheet items, will be a focus of the annual System-wide planning meeting, usually held in early June.

With respect to setting realistic internal deadlines, the System is constrained by the need of the State to incorporate the System's financial statements into its financial statements, eliminating any flexibility with respect to the date that the financial statements must be completed. Moving the date forward for when institutions are required to submit institutional financial information to the System Office often forces compromises in documentation and accuracy in the current financial statement preparation environment. The most plausible improvement will come once institutions have all begun to record all types of financial activity and balances as they occur, rather than waiting until year-end. The effort associated with recording activity such as debt-financed transactions or endowment fund activity is currently underway.

Auditor's Conclusion:

Based on the above, the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs

Finding 2004-3 (Reissued)

State Treasurer's Office

CFDA No. 10.555 – National School Lunch Program (NSLP)

CFDA No. 10.558 – Child and Adult Care Food Program

CFDA No. 10.561 – State Administrative Matching Grants for Food Stamp Program

CFDA No. 17.225 – Unemployment Insurance

CFDA No. 20.500 – Federal Transit: Capital Investment Grants

CFDA No. 20.507 – Federal Transit: Formula Grants

CFDA No. 84.010 – Title I Grants to Local Education Agencies

CFDA No. 84.027 – Special Education: Grants to States

CFDA No. 84.126 – Rehabilitation Services: Vocational Rehabilitation Grants to States

CFDA No. 93.558 – Temporary Assistance to Needy Families

CFDA No. 93.563 – Child Support Enforcement

CFDA No. 93.568 – Low-Income Home Energy Assistance (LIHEAP)

CFDA No. 93.658 – Foster Care: Title IV-E

CFDA No. 93.767 – State Children's Insurance Program (MCHIP)

CFDA No. 93.778 – Medical Assistance Program (Medicaid)

CFDA No. 93.959 – Block Grants for Prevention and Treatment of Substance Abuse

The State Treasurer's Office did not maintain documentation supporting two check clearance patterns referenced in the Cash Management Improvement Act Agreement between the State Treasurer of Maryland and the Secretary of the Treasury – United States Department of Treasury (CMIA Agreement).

Condition:

The State Treasurer of Maryland has entered into the CMIA Agreement with the U.S. Department of the Treasury in order to comply with the provisions of the Cash Management Improvement Act of 1990 (CMIA). The Agreement took effect on July 1, 2002 and remains in effect until June 30, 2007.

The State Treasurer of Maryland, per Section 7.2 of the CMIA Agreement, is responsible for developing the State's clearance patterns for vendor payments and payroll. 31 CFR 205.20 and Sections 7.0 through 7.10 of the CMIA Agreement govern the methodology and standards used to develop these clearance patterns.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-3 (Reissued) (continued)

The components that were used to develop the average clearance-vendor pattern include transit time, Comptroller of Maryland's General Accounting Division (GAD) processing time and check clearance time. The component that was used to develop the average clearance-payroll pattern was the check clearance time. The Fiscal Year 2003 Single Audit Report Finding 2003-3 addressed the issue that the documentation provided by the State Treasurer of Maryland did not support the development of any of the time components used in the development of the average clearance vendor and average clearance payroll check clearance patterns as noted in the CMIA Agreement. The State Treasurer's Office did not perform any follow up on this 2003-3 finding.

Criteria:

31 CFR 205.20 states in part:

“States use clearance patterns to project when funds are paid out, given a known dollar amount and a known date of disbursement. A State must ensure that clearance patterns meet the following standards:

- (a) A clearance pattern must be auditable.”

Cause:

Due to staff turnover, the State Treasurer's Office was unable to supply proper documentation supporting the basis for development of the check clearance time components for the average clearance-vendor and average clearance-payroll patterns in the CMIA Agreement.

Effect:

The State is not in compliance with the federal regulations relative to maintaining auditable evidence supporting the check clearance patterns denoted in the CMIA Agreement and noted in the finding. We cannot determine if the State Treasurer of Maryland complied with the appropriate standards for development of these check clearance patterns per the federal regulations and the terms of the CMIA Agreement.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-3 (Reissued) (continued)

Recommendation:

We recommend that the State Treasurer's Office maintain the documentation supporting the time components that are used in the development of the average clearance-vendor and average clearance-payroll patterns in the CMIA Agreement.

Auditee Response and Corrective Action Plan:

On March 4, 2004, the Office of the State Treasurer completed development and recertification related to Average Clearance Vendor and Average Clearance Payroll check clearance patterns. We have replaced Average Clearance Vendor (9 Day Pattern) and Average Clearance Payroll (1 Day Pattern) with Dollar Weighted Clearance Day Vendor (8 Day Pattern) and Dollar Weighted Clearance Day Payroll (1 Day Pattern) accordingly. We developed the patterns in accordance with a method approved by Financial Management Service (FMS), U.S. Department of the Treasury, including auditable calculations and maintenance of all supporting documentation.

The Office will work with the appropriate State agencies to start using the new check clearance patterns with transactions beginning on March 28, 2005.

The State executed a multi-year Treasury-State Agreement in October 2004 that runs through June 30, 2009. Amendments to the Treasury-State Agreement resulting from the recertification procedures will be made on a timely basis.

Auditor's Conclusion:

Based on the above, the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-4

Student Financial Aid Cluster

CFDA No. 84.268 – Federal Direct Student Loans

Monthly reconciliations of the Direct Loan Student Account Statement to Morgan State University’s financial records are not performed.

Condition:

Each institution must report all loan disbursements to the Direct Loan Servicing Center via the Common Origination and Disbursement (COD) system within 30 days of disbursement. Every month the institution receives from COD a Student Account Statement (SAS) data file that consists of a Cash Summary, Cash Detail, and Loan Detail records. The institution is required to reconcile these files to the institution’s financial records. We noted that there is no audit evidence that Morgan State University (MSU) is performing monthly reconciliations of the Direct Loan Student Account Statement data files to its financial records. In addition, MSU personnel are not maintaining the monthly reconciliations of the SAS files. This condition was reported in MSU’s single audit report for the fiscal year ended June 30, 2001, Finding 2001-3.

Criteria:

34 CFR 685.102 (b) states, “the school performs the following functions: creates a loan origination record, transmits the record to the Servicer, prepares the promissory note, obtains a completed and signed promissory note from the borrower, transmits the promissory note to the Servicer, receives the funds electronically, disburses a loan to a borrower, creates a disbursement record, transmits the disbursement record to the Servicer, and reconciles on a monthly basis.”

OMB Circular A-133 Subpart C Section .300 (b) states, “The auditee shall maintain internal controls over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.”

Cause:

MSU does not maintain the monthly reconciliations due to the volume of the Direct Loan Student Account Statements that are received each month.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-4 (continued)

Effect:

Without evidence that this reconciliation is being performed on a monthly basis, MSU cannot determine on a timely basis whether the amount of direct loans awarded by MSU balances with the direct loans accepted or rejected by COD.

Recommendation:

We recommend that MSU perform the monthly reconciliations of the SAS files and maintain the documentation to verify that the reconciliation was performed.

Auditee Response and Corrective Action Plan:

The University does prepare reconciliation reports that are cumulative in nature. Unfortunately, the procedures did not require the department to retain the copy of the preceding reconciliation report. Effective March 2005, the University will establish and maintain a file of all monthly reconciliation reports to better document the reconciliation process.

Auditor's Conclusion:

Based on the above, the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-5

Student Financial Aid Cluster

CFDA No. 84.268 – Federal Direct Student Loans

Morgan State University lacks effective internal controls over notifying the National Student Loan Data System of changes in student’s status in a timely and accurate manner.

Condition:

We reviewed the student status change for 25 students and noted that Morgan State University (MSU) did not process the change for 24 of the 25 tested in a timely and accurate manner. In addition, we noted that the effective date of the student change in MSU’s Student Information System (SIS) did not agree with the effective date in the National Student Loan Data System (NSLDS) for 8 of the 25 students tested. Timely reporting of student status changes impacts the timeliness of establishing a repayment plan for the loan. This condition was reported in MSU’s single audit report for the fiscal year ended June 30, 2001, finding number 2001-4.

Criteria:

34 CFR 685.309 2(b) states, “Student status confirmation reports. A school shall – (1) Upon receipt of a student status confirmation report from the Secretary, complete and return the report to the Secretary within 30 days of receipt; and (2) Unless it expects to submit its next student status confirmation report to the Secretary within the next 60 days, notify the Secretary within 30 days if it discovers that a Direct Loan has been made to or on behalf of a student who – (i) Enrolled at a school but has ceased to be enrolled on at least a half-time basis; (ii) Has been accepted for enrollment at that school but failed to enroll on at least a half-time basis for the period for which a loan was intended; or (iii) Has changed his or her permanent address.”

Cause:

MSU receives the Student Status Confirmation Report (SSCR) electronically every 60 days from NSLDS. MSU downloads the information of the student status changes and sends the file back to the NSLDS. The NSLDS sends an error report if something is missing or is wrong with the file and MSU sends the file back. The file was sent back and MSU did not review the report to make the appropriate corrections.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-5 (continued)

Effect:

The student change is not reported in a timely or accurate manner. Additionally, the direct loan repayment process cannot be established when a student withdraws or drops out during the period.

Recommendation:

We recommend that MSU establish internal control procedures to review the student status confirmation reports and report corrections to NSLDS in a timely and accurate manner. In addition, we recommend that MSU establish procedures to review the error report to ensure that all corrections are made and the student status confirmation report file is sent back to NSLDS in a timely manner.

Auditee Response and Corrective Action Plan:

The University has implemented procedures that provide for a timelier review of the confirmation reports as well as timelier correction of noted errors. We expect that the implementation of the new student information system during fiscal year 2006 will further enhance the University's ability to report similar information to internal and external parties in a timely and accurate manner.

Auditor's Conclusion:

Based on the above, the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-6

Financial Aid Cluster

CFDA No. 84.063 – Student – Federal Pell Grant Program

Pell Payment Data (Originations and Disbursements) are not being submitted in the required 30-day timeframe after a Pell payment has been made by Morgan State University.

Condition:

Institutions are required to submit Pell Payment Data through the Common Origination and Disbursement (COD) system to the U.S. Department of Education (DOE) within 30 calendar days after the institutions make a payment or are aware of a need to change a previously reported student payment. The Origination record can be sent in advance of the disbursement if the institution believes the student will be eligible for payment. The disbursement record reports the actual disbursement amount and date. Once DOE receives and processes the origination and disbursement records, DOE sends an acknowledgment to the institution indicating the record was accepted, accepted with corrections, or rejected.

We noted that in 7 of the 24 students reviewed Morgan State University (MSU) did not submit the Pell Payment Data Reports in the required 30-day timeframe after a Pell payment had been disbursed. We also noted that in 6 of those 7 student cases, the Pell data was submitted 50 to 70 days after the disbursement was made. This is not considered timely submission of these reports. This condition was reported in MSU's single audit report for the fiscal year ended June 30, 2001, finding number 2001-5.

Criteria:

34 CFR section 690.83 requires the following: "Institutions must report student payment data within 30 calendar days after the school makes a payment; or becomes aware of the need to make an adjustment to previously reported student payment data or expected student payment data."

OMB Circular A-133 Subpart C Section .300 (b) states, "The auditee shall maintain internal controls over Federal programs that provide reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its programs."

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-6 (continued)

Cause:

MSU lacked adequate internal controls to ensure Pell Payment Data reports were submitted to DOE in a timely manner.

Effect:

MSU was not submitting the Pell Payment Data Reports in the required timeframe.

Recommendation:

We recommend that MSU establish internal controls to ensure that the required Pell Payment Data Reports in the required timeframe in order to be in compliance with the regulations.

Auditee Response and Corrective Action Plan:

The University agrees to improve the timeliness of the Pell Payment Data Report submissions. In this regard, the University is in the process of implementing a new student information system that will significantly enhance the University's ability to report information in a timely and accurate manner.

Auditor's Conclusion:

Based on the above, the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-7

Student Financial Aid Cluster

CFDA No. 84.007 – Federal Supplemental Educational Opportunity Grants

CFDA No. 84.033 – Federal Work Study Program

CFDA No. 84.063 – Federal Pell Grant Program

CFDA No. 84.268 – Federal Direct Student Loans

Internal controls over the cash management process at Morgan State University are weak.

Condition:

We noted that Morgan State University’s (MSU) Associate Director for Student Financial Aid calculates the draw down amount, prepares the request, and forwards it to the restricted fund accounting office for processing. There is no management review of the drawdown calculation for accuracy or approval of these requests prior to requesting reimbursement from the U.S. Department of Education (DOE).

In addition, we reviewed 9 draw down requests totaling \$29 million and noted that MSU is not drawing down federal funds in accordance with the provisions of 31 CFR section 205 Subpart B. The CFR requires that entities minimize the time between the disbursement and reimbursement of federal funds. The following table shows that reimbursement of financial aid funds was requested about 2-3 months after the funds were disbursed to the students.

SFA Program	Amount Expended	Expenditure Date	Draw Down Amount	Draw Down Request Date	Date Federal Funds Were Deposited
Direct	\$ 9,655,906	08/26/03-10/30/03	\$ 8,655,498	10/30/03	10/30/03
FWS	84,820	07/01/03-10/30/03	82,161	11/06/03	11/07/03
SEOG	399,339	08/26/03-10/30/03	398,369	11/06/03	11/07/03
Pell	3,341,690	08/26/03-10/30/03	3,057,093	11/06/03	11/07/03
Direct	1,849,713	11/06/03-12/10/03	1,671,458	12/12/03	12/15/03
SEOG	77,915	11/06/03-12/10/03	70,996	12/12/03	12/15/03
Pell	598,077	11/06/03-12/10/03	538,269	12/12/03	12/15/03
FWS	155,341	11/01/03-02/16/04	44,921	02/17/04	02/18/04
Direct	9,238,014	12/18/03-03/04/04	8,323,280	03/10/04	03/11/04
SEOG	591,352	12/18/03-03/04/04	538,417	03/10/04	03/11/04
Pell	3,641,547	12/18/03-03/04/04	3,275,502	03/10/04	03/11/04
Direct	2,894,376	03/11/04-04/22/04	2,260,782	04/23/04	04/26/04

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-7 (continued)

Criteria:

OMB Circular A-133 Subpart C Section .300 (b) states, “The auditee shall maintain internal controls over Federal programs that provide reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on each of its Federal programs.”

31 CFR Section 205 Subpart B: rules Applicable to Federal Assistance Programs not included in a Treasury-State Agreement states, “A State must minimize the time between the drawdown of funds from the Federal Government and their disbursement for Federal program purpose. The timing and amount of funds must be as close as is administratively feasible to a State’s actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs.”

Cause:

MSU did not have internal controls in place to ensure that federal cash draw downs are accurately prepared and require a supervisory review to occur prior to requesting reimbursement of federal funds.

Effect:

MSU’s internal controls for the cash management are not adequate to ensure accurate preparation and processing of federal draw downs.

Recommendation:

We recommend that MSU establish internal control procedures to review and approve the cash draw downs for the Student Financial Aid program for compliance with the provisions of 31 CFR Section 205 Subpart B.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-7 (continued)

Auditee’s Response and Corrective Action Plan:

The University will improve its procedures to include appropriate supervisory review and approval of drawdown requests as well as timelier submissions of those requests. In this regard, the University is in the process of implementing an integrated administrative software system that will significantly improve its drawdown of federal funds. The finance module of this integrated system was implemented on July 1, 2004. The financial aid module is expected to “go live” in January 2006.

Auditor’s Conclusion:

Based on the above, the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-8

**Student Financial Aid Cluster
CFDA No. 84.033 – Federal Work Study**

Morgan State University did not effectively perform reconciliations for payroll expenditures incurred for the Federal Work Study program.

Condition:

The Student Financial Office did not reconcile the payroll expenditures incurred for the Federal Work Study program that were recorded in the Financial Record System (FRS), and in the Student Information System (SIS). The FRS is Morgan State University's (MSU) accounting records and the SIS is the student financial aid system used to account for expenditures and revenues.

We noted that payroll expenditures recorded in FRS totaled \$481,325 compared with payroll expenditures recorded in SIS of \$592,355, a difference of 111,030 or 23%. The differences noted in each case were not adequately investigated so that appropriate adjustments could be made to MSU's financial records.

Criteria:

OMB Circular A-133 Subpart C Section .300 (b) states, "The auditee shall maintain internal controls over Federal programs that provide reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on each of its Federal programs."

Cause:

MSU did not adequately reconcile the payroll expenditures recorded in FRS to those recorded in the SIS for the Federal Work Study program.

Effect:

The lack of adequate internal controls over the reconciliation of Federal Work Study expenditures reported to the U.S. Department of Education to the institution's accounting records resulted in questioned costs of \$111,030.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-8 (continued)

Recommendation:

We recommend that MSU implement internal control procedures to effectively reconcile the payroll expenditures reported for the Federal Work Study program to the institution's FRS accounting records.

Auditee Response and Corrective Action Plan:

The University is adopting new administrative software and procedures to address this situation. Specifically, on July 1, 2004 and January 1, 2005, the University implemented integrated financial and human resource systems, respectively. The financial aid and student information systems are scheduled to be implemented by January 1, 2006. The University is very confident that these tightly integrated systems will significantly improve the payroll reconciliation process.

Auditor's Conclusion:

Based on the above, the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-9

Student Financial Aid Cluster

CFDA No. 84.063 – Federal Pell Grant Program

CFDA No. 84.268 – Federal Direct Student Loans

Title IV refunds were not returned by Morgan State University to the U.S. Department of Education in accordance with federal regulations.

Condition:

We reviewed the refund calculation for 25 students and could not obtain audit evidence to verify that the funds were returned within the 30 day timeframe for 3 of those students. We also noted for 1 student that we were unable to trace the total refund amount of \$2,627 to the Financial Record System (FRS) to ensure the calculated refund was properly returned to the U.S. Department of Education (DOE). In addition, we noted that there is no supervisory review of the Title IV calculated refund amount or on the return of those unearned funds to DOE.

Criteria:

34 CFR 668.22 (j) states, “Timeframe for the return to Title IV funds. (1) An institution must return the amount of Title IV funds for which it is responsible under paragraph (g) of this section as soon as possible but no later than 30 days after the date of the institution’s determination that the student withdrew as defined in paragraph (1) (3) of this section.”

OMB Circular A-133 subpart C Section .300 (b) states, “The auditee shall maintain internal controls over Federal Programs that provide reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provision of contracts or grant agreements that could have a material effect on each of its federal programs.”

Cause:

Morgan State University’s (MSU) internal control procedures over the return of Title IV funds are not adequate to comply with federal guidelines.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-9 (continued)

Effect:

Without proper documentation and effective internal controls, there is no assurance that the DOE is receiving Title IV refunds once the students withdraw from the institution. Additionally, the internal controls do not require a supervisory review of these types of transactions.

Recommendation:

We recommend that MSU implement internal control procedures to adequately ensure that Title IV refunds are properly calculated and returned within the required 30 day timeframe.

We recommend that MSU establish and document internal control procedures to review and approve these types of transactions prior to submitting to DOE to ensure federal regulations are being followed. The review and approval of these transactions should be documented.

Auditee's Response and Corrective Action Plan:

As previously noted, the University is in the process of implementing an integrated administrative software system that will, among other things, ensure that Title IV refunds are properly calculated and returned within the required 30 day timeframe. Additionally, procedures will be implemented to require the documented review and approval of these transactions.

Auditor's Conclusion:

Based on the above, the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-10

Student Financial Aid Cluster

CFDA No. 84.268 – Federal Direct Student Loans – University of Maryland, University College and Towson University

Monthly reconciliation of the Direct Loan Student Account Statement to the University of Maryland, University College, and Towson University’s financial records are not performed.

Condition:

Each institution must report all loan disbursements to the Direct Loan Servicing Center via the Common Origination and Disbursement (COD) system within 30 days of disbursement. Every month, the institution receives from COD a Student Account Statement (SAS) data file that consists of a cash summary, cash detail, and loan detail record. The institution is required to reconcile these files to the institution’s financial records.

University of Maryland, University College—We noted that the University of Maryland University College (UMUC) is not performing monthly reconciliations of the Direct Loan Student Account Statement data files to UMUC’s Financial Accounting System (FAS). Specifically, UMUC did not reconcile the cash receipts portion of the SAS file to UMUC’s accounting records for any of the 12 months during the fiscal year 2004.

Towson University—We noted that Towson University (TU) did not perform any of the monthly reconciliations of the Direct Loan Student Account Statement data files to TU’s financial records.

Criteria:

34 CFR 685.102(b) states, “The school performs the following functions: creates a loan origination record, transmits the record to the Servicer, prepares the promissory note, obtains a completed and signed promissory note from the borrower, transmits the promissory note to the Servicer, receives the funds electronically, disburses a loan to a borrower, creates a disbursement record, transmits the disbursement record to the Servicer, and reconciles on a monthly basis.”

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-10 (continued)

OMB Circular A-133 Subpart C Section .300 (b) states, “The auditee shall maintain internal controls over federal programs that provide reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provision of contracts or grant agreements that could have a material effect on each of its federal programs.”

Cause:

University of Maryland, University College—UMUC does not reconcile the cash receipts portion of the SAS file because the file is not sent to the accounting office that maintains the FAS.

Towson University—TU personnel explained that they did not have the time to reconcile the SAS files due to the implementation of the PeopleSoft system.

Effect:

University of Maryland, University College—UMUC does not have adequate internal controls to ensure that cash receipts recorded in FAS are properly being applied and recorded in SAS.

Towson University—TU cannot determine on a timely basis whether the amount of direct loans awarded by TU balances with the direct loans accepted or rejected by COD.

Recommendation:

University of Maryland, University College—We recommend that UMUC establish internal controls and procedures to ensure that the monthly reconciliations of the SAS files include the cash receipts portion. Additionally, UMUC should maintain the documentation used to perform the monthly reconciliations.

Towson University—We recommend that TU perform the monthly reconciliations of the SAS files as required by federal regulation.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-10 (continued)

Auditee Response and Corrective Action Plan:

University of Maryland, University College—In relation to Code of Federal Regulations Title 34 Part 685.102(b), the University feels that we are in compliance with the reconciliation requirements. The Financial Aid Office performs a cumulative monthly reconciliation of all Direct Loan disbursements utilizing the SAS file.

However, the University concurs with the recommendation that monthly reconciliations of the cash receipts portion of the SAS file be performed. The Financial Aid Office will work with the Office of Finance to finalize procedures that will allow for the sharing of the SAS file and related reconciliation to our financial records.

Towson University—The timely adherence to the reconciliation issue was directly associated with the PeopleSoft implementation process, as well as the Department of Education's migration to the COD Common Record in XML format for the 2003-2004 award year. These issues resulted in a need to prioritize procedures in the financial aid delivery process. Problems related to reporting Direct Loan originations, changes and disbursements were corrected on August 23, 2004 and beyond. The monthly reconciliation process of the SAS files has been implemented for the 2004-2005 award year.

Auditor's Conclusion:

Based on the above, the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-11

Student Financial Aid Cluster

CFDA No. 84.032 – Federal Family Education Loans –University of Maryland, Baltimore

The University of Maryland, Baltimore lacked effective internal controls over notifying the National Student Loan Data System of changes in student’s status in a timely and accurate manner.

Condition:

We reviewed the student status change for 15 students and noted that the University of Maryland, Baltimore (UMB) did not process the change for all 15 students in a timely and accurate manner.

Criteria:

34 CFR 685.309 2(b) states, “Student status confirmation reports: A school shall – (1) Upon receipt of a student status confirmation report from the Secretary, complete and return the report to the Secretary within 30 days of receipt; and (2) Unless it expects to submit its next student status confirmation report to the Secretary within the next 60 days, notify the Secretary within 30 days if it discovers that a Direct Loan has been made to or on behalf of a student who – (i) Enrolled at a school but has ceased to be enrolled on at least a half-time basis; (ii) Has been accepted for enrollment at that school but failed to enroll on at least a half-time basis for the period for which a loan was intended; or (iii) Has changed his or her permanent address.”

OMB Circular A-133 Subpart C Section .300 (b) states, “The auditee shall maintain internal controls over Federal programs that provide reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on each of its federal programs.”

Cause:

The UMB lacks the necessary internal controls to ensure that student status changes are reported to the NSLDS within the required timeframe.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-11 (continued)

Effect:

The student change is not reported in a timely or accurate manner. Additionally, the repayment process cannot be established when a student withdraws or drops out during the period.

Recommendation:

We recommend that the UMB establish internal control procedures to review the student status confirmation reports and report corrections to the NSLDS in a timely and accurate manner.

Auditee Response and Corrective Action Plan:

The University disagrees with the finding because the University does not report directly to NSLDS. The University submits to the Department of Education notification of a change in a student's enrollment status every 60 days. However, there is a time lag from the time the Department of Education receives the information and when it is downloaded to the NSLDS database. The University does not manually update the NSLDS database because the information would be overridden by the automated report updates. To prevent possible conflicting data, the student's record is updated through our automated enrollment verification report.

The University will continue to use the Banner automated SSCR reporting program which has been approved by the Department of Education. However, the Financial Aid Office is reviewing the use of the National Student Clearinghouse program which directly updates the NSLDS database.

Auditor's Conclusion:

We were not provided audit evidence to substantiate the above response, thus the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-12

Student Financial Aid Cluster

CFDA No. 84.038 – Federal Perkins Loans

The University of Maryland University College’s Capital Contribution match share of Federal Perkins Loan program was not met.

Condition:

The Federal Perkins Loan program has a matching requirement that the institution provide matching funds, the Institution Capital Contribution (ICC). The ICC is one third of the Federal Capital Contribution (FCC) or 25% of the combined FCC and ICC. The FCC represents the amount of new Federal Perkins Loan Program funds provided to the University of Maryland University College (UMUC) in an award year. The ICC is the additional share UMUC must contribute from their own funds. The FCC amount for the UMUC for the fiscal year ended June 30, 2004 totaled \$62,507. The UMUC’s matching amount should have been \$20,627; however, based on the financial accounting system (FAS) reports, we noted that the UMUC only matched \$15,627 of that amount.

Criteria:

34 CFR 674.8 (a) (2) (ii) requires “ICC equal to at least one-third of the FCC described in paragraph (a) (1) of this section in award year 94-95 and succeeding award years.”

Cause:

The UMUC personnel misinterpreted federal regulations and matched 25% instead of the required one third.

Effect:

The UMUC is not in compliance with the federal regulations.

Recommendation:

We recommend that UMUC comply with the Code of Federal Regulations and accurately compute the ICC match amount for the Federal Perkins Loan Program.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-12 (continued)

Auditee Response and Corrective Action Plan:

The University concurs with the recommendation that the University complies with the Code of Federal Regulations and accurately computes the ICC match amount for the Federal Perkins Loan program. The additional \$5,000 match for fiscal year 2004 has been matched in the current fiscal year. The new Office of Finance employee now charged with posting the matching funds is aware of the 33% match requirement and has been properly trained.

Auditor's Conclusion:

Based on the above, the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-13

Student Financial Aid Cluster

CFDA No. 84.268 – Federal Direct Student Loans – University of Maryland, University College
CFDA No. 84.033 – Federal Work Study – University of Maryland, Baltimore

Internal controls over the cash management process at the University of Maryland, University College and University of Maryland, Baltimore, can be enhanced.

Condition:

University of Maryland, University College—The drawdown of student financial aid funds is prepared and processed by the Financial Services Office. Personnel responsible for drawing down federal funds review the amount posted in the Financial Accounting System (FAS) by program (e.g., Federal Work Study, Supplemental Opportunity Education Grant) and enter that amount in the U.S. Department of Education’s (DOE) Grant Administration and Payment System. We reviewed 10 drawdown requests totaling \$53.7 million and noted that there is no management review of the drawdown calculation for accuracy or approval of these requests prior to requesting reimbursement from DOE.

University of Maryland, Baltimore—We noted that UMB incurred FWS expenditures during fiscal year 2004 and had not requested reimbursement as of November, 2004. The Bursar’s office did not receive payroll expenditure amounts from the payroll office and, thus, were unaware of the FWS expenditures incurred; therefore, reimbursement for those expenditures was not requested. Furthermore, we noted that there is no supervisory review occurring prior to the drawdown of funds.

Criteria:

OMB Circular A-133 Subpart C Section .300 (b) states, “The auditee shall maintain internal controls over federal programs and provide reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and provisions of contracts and grant agreements that could have a material effect on each of its federal programs.”

31 CFR Section 205 Subpart B: Rules Applicable to Federal Assistance Programs not included in a Treasury-State Agreement states, “A state must minimize the time between the drawdown of funds from the federal government and their disbursement for federal program purposes. The timing and amount of funds must be as close as is administratively feasible to a state’s actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs.”

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-13 (continued)

Cause:

University of Maryland, University College—There is no segregation of duties related to cash drawdown transactions; one individual performs the entire process resulting in no separate supervisory review.

University of Maryland, Baltimore—UMB did not have adequate internal controls in place to ensure that federal cash drawdowns are requested in a timely manner. UMB's internal control procedures over reimbursement of student financial aid expenditures do not require supervisory review of reimbursement requests.

Effect:

University of Maryland, University College—Cash drawdowns of federal funds are not reviewed and approved prior to submission to DOE's Grant Administration and Payment System.

University of Maryland, Baltimore—Internal controls for the cash management process are not adequate to ensure that the proper supervisory review occurs to validate drawdowns and timely processing of federal drawdowns.

Recommendation:

University of Maryland, University College—We recommend that UMUC establish and document internal control procedures to review and approve cash drawdowns for the Student Financial Aid program prior to submission to DOE's Grant Administration and Payment System.

University of Maryland, Baltimore—We recommend that UMB establish internal control procedures to review and approve the cash drawdowns for the Student Financial Aid program for compliance with the provisions of 31 CFR Section 205, Subpart B.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-13 (continued)

Auditee Response and Corrective Action Plan:

University of Maryland, University College—UMUC concurs with the need for a review process by management prior to cash draw downs in the Financial Aid programs. The new Office of Finance management team has implemented internal controls ensuring separation of duties between the requestor of any draw down and the approver.

University of Maryland, Baltimore—The University agrees that it should be more efficient in the draw down of Federal Work Study funds. Therefore, the University has already implemented a system of reporting where Financial Aid verifies Work Study payroll expenditures and provides that information to Student Accounting. The University will draw down funds for Work Study expenditures quarterly. Further, the Fiscal Officer will present proof of each draw down and the supporting documentation for review and signoff by the Bursar.

Auditor's Conclusion:

Based on the above, the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-14

Student Financial Aid Cluster

CFDA No. 84.038 – Federal Perkins Loans (FPL) – Federal Capital Contributions – University of Maryland, University College and University of Maryland, College Park

The amounts shown on the Fiscal Operations Report and Application to Participate were not supported by the University of Maryland, University College and University of Maryland, College Park's financial records.

Condition:

The Fiscal Operations Report and Application to Participate (FISAP) is submitted to the U.S. Department of Education (DOE) by October 1, 2004 for the fiscal year ended June 30, 2004. The Fiscal Operations Report portion of the report is used to report the institution's student financial aid expenditures in the previous award year and the Application to Participate portion is used to apply for funds for the next award year.

University of Maryland, University College—During our testing of Part III – Federal Perkins Loan Program, Section A – Fiscal Report (cumulative) as of June 30, 2004, we noted that cash on-hand and in depository as of June 30, 2004 totaled \$167,372 was unsupported. This amount was neither supported by the University of Maryland, University College's (UMUC) records nor was the amount reconciled to UMUC's cash reported with the State of Maryland Treasurer's Office. UMUC was unable to provide support for the cash-on-hand amount resulting in questioned costs of \$167,372.

University of Maryland, College Park—UMCP does not reconcile the Perkins amounts recorded between the FRS and the SAM system. UMCP takes the amount from SAM for each type of student and divides it by the total amount recorded in SAM to obtain the percent for each type of student. This percent is then multiplied by the difference between the amount in FRS and SAM which amounted to \$105,097 during fiscal year 2004 resulting in questioned costs of \$105,097. The prorated amount is then reported on the FISAP report that is submitted to DOE.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-14 (continued)

Criteria:

OMB Circular A-133 Subpart C Section .300 (b) states, “The auditee shall maintain internal controls over federal programs that provide reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on each of its federal programs.”

Cause:

University of Maryland, University College—UMUC did not attempt to reconcile nor did it attempt to confirm the cash balance on hand at June 30, 2004 with the State of Maryland Treasurer’s Office.

University of Maryland, College Park—UMCP did not reconcile the FRS and SAM system to ensure the Perkins amounts reported in the FISAP report were properly supported.

Effect:

The amounts reported in the FISAP report are not supported by UMUC’s nor UMCP’s financial records resulting in questioned costs of \$272,469.

Recommendation:

University of Maryland, University College—We recommend that UMUC properly reconcile the amount of cash on-hand and in depository as of June 30, 2004 per the FISAP report to its accounting records and/or the State of Maryland Treasurer’s Office records.

University of Maryland, College Park—We recommend that UMCP develop procedures to ensure that Perkins student data recorded in FRS is reconciled with that in SAM. This reconciliation should be reviewed by a supervisor to ensure discrepancies are properly addressed. Evidence of the reconciliation, supporting documentation, and supervisory review should be maintained.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-14 (continued)

Auditee Response and Corrective Action Plan:

University of Maryland, University College—The University concurs with the finding that cash in the FISAP Perkins loan records was not properly supported by the University’s financial records. The University is working with the Department of Education to adjust the FISAP records appropriately. The new management team has reviewed the FISAP submission process and will review Perkins FISAP data annually, prior to submission, to verify that it reconciles to financial records.

University of Maryland, College Park—The University disagrees with this finding. The auditors seem to have confused the disbursement of late summer awards of \$105,097 with a perceived discrepancy between FISAP, SAM and FRS in “Perkins Loans Advanced to Students.” The FISAP figure of \$1,997,287 agrees precisely with the University Student Loan System administered by the Office of the Bursar. That amount is reconciled to the balance of “[Perkins] Funds Advanced to Students” in the FRS Accounting System. That reconciliation was made available to the auditors during their field work. The reconciliation between SAM and the FISAP Report was performed subsequent to the audit and can be made available if requested. In the future, the University will make the SAM/FISAP reconciliation available in a more timely manner.

Auditor’s Conclusion:

University of Maryland, University College—Based on the above, the finding remains as stated.

University of Maryland, College Park—We were not provided sufficient audit evidence to substantiate the above response, thus the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-15

Student Financial Aid Cluster

CFDA No. 84.063 – Federal Pell Grant Program – University of Maryland, University College, University of Maryland, College Park, and Towson University

CFDA No. 84.268 – Federal Direct Student Loans – University of Maryland, University College and Towson University

CFDA No. 84.032 – Federal Family Education Loans – University of Maryland, College Park

Title IV refunds were not returned by the University of Maryland, University College, University of Maryland, College Park, and Towson University to the U.S. Department of Education in accordance with federal regulations.

Condition:

University of Maryland, University College—We reviewed the refund calculation for 20 students and noted that the University of Maryland, University College (UMUC) did not return unearned financial aid for five of those students in the amount of \$11,425 in the aggregate within the 30-day timeframe. In addition, we noted that the UMUC did not calculate a refund for one student even though the student had withdrawn. The student withdrew on April 18, 2004 but the UMUC did not calculate the refund of \$4,101 until September 17, 2004 when it was brought to their attention during the audit. Furthermore, we noted that there is no supervisory review of the Title IV calculated refund amount or of the return of those unearned funds to the U.S. Department of Education (DOE).

University of Maryland, College Park—We reviewed the refund calculation for 25 students and noted that the University of Maryland, College Park (UMCP) did not return unearned financial aid for 11 of those students within the 30-day timeframe in the amount of \$19,676 in the aggregate. 10 of the 11 tested unofficially withdrew or received F grades.

Towson University—We reviewed the refund calculation for 11 students and noted that a refund was owed for six of those students totaling \$13,959 in the aggregate. However, Towson University (TU) did not return the unearned financial aid for two of those six students within the 30-day timeframe. One student withdrew on October 8, 2003 but the refund was not calculated until April 27, 2004 and the other student withdrew on February 9, 2004 and the refund was not calculated until June 28, 2004.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-15 (continued)

Criteria:

34 CFR 668.22(j) states, “Timeframe for the return to Title IV funds: (1) An institution must return the amount of Title IV funds for which it is responsible under paragraph (g) of this section as soon as possible but no later than 30 days after the date of the institution’s determination that the student withdrew as defined in paragraph (1)(3) of this section.”

OMB Circular A-133 Subpart C Section .300 (b) states, “The auditee shall maintain internal controls over federal programs that provide reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.”

Cause:

University of Maryland, University College—UMUC’s internal control procedures over the return of Title IV funds are not adequate to comply with federal regulations.

University of Maryland, College Park—UMCP’s internal control procedures over the return of Title IV funds are not adequate to comply with federal regulations.

Towson University—TU was experiencing difficulty with the implementation of the PeopleSoft system which was used to calculate the refunds.

Effect:

University of Maryland, University College—Without proper documentation and effective internal controls, there is no assurance that the DOE is receiving Title IV refunds once the student withdraws from the institution. Additionally, the internal controls do not provide for supervisory review of these types of transactions.

University of Maryland, College Park—Without effective internal controls, there is no assurance that the DOE is receiving Title IV refunds once the student withdraws from the institution in the required timeframe.

Towson University—Without proper documentation and effective internal controls, there is no assurance that the DOE is receiving Title IV refunds once the student withdraws from the institution.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-15 (continued)

Recommendation:

University of Maryland, University College—We recommend that UMUC implement internal control procedures to adequately ensure that Title IV refunds are properly calculated and returned within the required 30-day timeframe.

We recommend that UMUC establish and document internal control procedures to review and approve these types of transactions prior to submitting to DOE to ensure federal regulations are being followed. The review and approval of these transactions should be documented.

University of Maryland, College Park—We recommend that UMCP implement internal control procedures to adequately ensure that Title IV refunds are returned within the required 30-day timeframe.

Towson University—We recommend that TU implement internal control procedures to adequately ensure that Title IV refunds are properly calculated and returned within the required 30-day timeframe.

Auditee Response and Corrective Action Plan:

University of Maryland, University College—The University concurs with the recommendation that the University implement internal control procedures to ensure the proper calculation and timely return of Title IV refunds. The Financial Aid Office has increased its manager oversight of the Return of Title IV calculations by instituting a formal monthly audit of the process to ensure that all calculations are performed within 30 days of the date of determination that a student has withdrawn. This audit includes a review of the academic record and the student account, which reflects the date of any adjustments. In addition, the implementation of an integrated student administration computer system (PeopleSoft) at the University for Fall 2005 will integrate the return of funds process within one system, while the current process utilizes four separate databases to complete the process.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-15 (continued)

University of Maryland, College Park—The University agrees that 10 Title IV refunds in the amount of \$19,676 were returned several weeks beyond the 30-day time limit. Staffing changes have been made to assure a more timely process.

Towson University—Reports of students who have withdrawn from all classes are now delivered electronically from Enrollment Services to the Financial Aid Office three times per week. This finding was directly related to PeopleSoft's inability to accurately calculate the number of days in a given academic term. At this time we are using a manual process to verify the percentage of days attended in order to correctly calculate the total amount of funds that must be returned to the Federal government. PeopleSoft plans to send a software correction modification on July 1, 2005 that will automate this process.

Auditor's Conclusion:

Based on the above, the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-16

Student Financial Aid Cluster

CFDA No. 84.007 – Federal Supplemental Educational Opportunity Grants – University of Maryland, Baltimore

CFDA No. 84.032 – Federal Family Education Loans – University of Maryland, Baltimore

CFDA No. 84.033 – Federal Work Study Program – University of Maryland, Baltimore

CFDA No. 84.038 – Federal Perkins Loans (FPL) – Federal Capital Contributions – University of Maryland, Baltimore

CFDA No. 84.063 – Federal Pell Grant Program – University of Maryland, Baltimore

CFDA No. 93.342 – Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students – University of Maryland, Baltimore

CFDA No. 93.364 – Nursing Student Loans – University of Maryland, Baltimore

Student Financial Aid funds were not disbursed in accordance with federal regulations by the University of Maryland, Baltimore.

Condition:

Federal regulations state that an institution make a disbursement of Title IV Higher Education Act (HEA) program funds on the date that the institution credits a student account at the institution or pays a student or parent directly with funds received from the secretary, funds received from a lender under the Federal Family Education Loan (FFEL) program, or institutional funds used in advance of receiving Title IV HEFA program funds.

We reviewed the disbursements for 25 students and noted that for 19 of those students, the University of Maryland, Baltimore (UMB) disbursed campus-based financial aid funds before the required 10-day timeframe.

Criteria:

34 CFR 668.164(f)(1) states, “If a student is enrolled in a credit hour education program that is offered in semester, trimester, or quarter academic terms, the earliest an institution may disburse Title IV HEA program funds to a student or parent for any payment period is 10 days before the first day of classes for a payment period. There are two exceptions to this rule. First, institutions may not disburse or deliver the first installment of FFEL or Direct Loans to first-year undergraduates who are first-time borrowers until 30 days after the student’s first day of classes. The second exception applies to a student who is enrolled in a clock hour education program or a credit hour program that is not offered in standard academic term.”

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-16 (continued)

Cause:

UMB did not have adequate internal controls in place to ensure payments were issued in accordance with federal regulations.

Effect:

UMB is not in compliance with federal regulations concerning the disbursement of Title IV HEA program funds.

Recommendation:

We recommend that UMB adhere to federal regulations and disburse Title IV HEA program funds in accordance with established timeframes.

Auditee Response and Corrective Action Plan:

The University agrees with the recommendation. The Financial Aid Office has reviewed the current process. It was determined that because of the various program class start dates, it was difficult to standardize the dates for application of payment of the campus based Title IV funds to student accounts. However, to ensure that the University remains in compliance with federal regulations, the Financial Aid Office has made changes to current processes so that a student's account will not be credited or funds disbursed more than ten days prior to the beginning of classes. These changes have been made and implemented for award year 2005-2006.

Auditor's Conclusion:

Based on the above, the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-17

Student Financial Aid Cluster

CFDA No. 84.063 – Federal Pell Grant Programs – University of Maryland, College Park and Towson University

Pell Payment Data (Originations and Disbursements) are not being submitted in the required 30-day timeframe after a Pell payment has been made by the University of Maryland, College Park and Towson University.

Condition:

Institutions are required to submit Pell Payments Data through the Common Origination and Disbursement (COD) system to the U.S. Department of Education (DOE) within 30 calendar days after the institutions make a payment or are aware of a need to change a previously reported student payment. The origination record can be sent in advance of the disbursement if the institution believes the student will be eligible for payment. The disbursement record reports the actual disbursement amount and date. Once DOE receives and processes the origination and disbursement records, DOE sends the acknowledgement to the institution indicating the record was accepted, accepted with corrections, or rejected.

University of Maryland, College Park—We reviewed 25 students and noted that the University of Maryland, College Park, (UMCP), reported the Pell disbursements for 17 of 25 students between 38 and 64 days after the disbursement was made. This is not considered timely submission of this data.

Towson University—We reviewed the Pell Payment Data in the COD system with the data in the PeopleSoft system. For the Fall 2003 semester, we reviewed 25 students and noted that Towson University (TU) reported the Pell disbursement for all 25 students between 64 and 294 days after the disbursement was made. In addition, we noted that for the Spring 2004 semester, TU reported one of the 25 students 172 days after the disbursement of Pell funds. This is not considered timely submission of these reports.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-17 (continued)

Criteria:

34 CFR 690.83 states, “Institutions must report student payment data within 30 calendar days after the school makes a payment, or becomes aware of the need to make an adjustment to previously reported student payment data or expected student payment data.”

OMB Circular A-133 Subpart C Section .300 (b) states, “The auditee shall maintain internal controls over federal programs that provide reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its programs.”

Cause:

University of Maryland, College Park—UMCP lacked adequate internal controls to ensure Pell Payment Data information was submitted to DOE in a timely manner.

Towson University—TU experienced major difficulties trying to transfer PeopleSoft information to the COD system. The PeopleSoft system had been recently implemented and was used by the Student Financial Aid Office.

Effect:

UMCP and TU are not in compliance with federal regulations concerning the timely submission of Pell Payment Data.

Recommendation:

We recommend that UMCP and TU establish internal controls to ensure that the required Pell Payment Data reports are submitted to DOE in the required timeframe.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-17 (continued)

Auditee Response and Corrective Action Plan:

University of Maryland, College Park—The University agrees with this finding. Software used to implement the new COD processes contributed to the inconsistent reporting of Federal Pell Grants to the Department of Education. The software that the University uses to administer student financial aid did not properly generate the Pell Grant origination and disbursement records. Our systems personnel worked closely with our software vendor to make proper adjustments to successfully implement the new COD process.

To ensure compliance, a rewrite of this program has recently been installed and as of Spring 2005, we have automated the job schedules so that the Pell origination and disbursement files are automatically generated twice a month and transmitted to the Department of Education.

Towson University—The University concurs with this finding. Delays in submitting Pell Payment Data was directly related to the conversion of the Student Financial Aid System to PeopleSoft. Problems related to reporting Pell origination, change and disbursement data were corrected on August 30, 2004.

Auditor's Conclusion:

Based on the above, the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-18

Research and Development Cluster

The University of Maryland College Park does not adequately monitor subrecipients.

Condition:

The University of Maryland College Park's (UMCP) Office of Research Administration and Advancement (ORAA) is responsible for monitoring subrecipients and obtaining A-133 audit reports when entities are required to have audits. They use the Research Administration and Advancement (RAA) system to track awards made to contractors. Initially, we obtained a list of subrecipients from ORAA and reviewed the subawards. We noted that the list included for profit entities as well as non-profit entities. We then obtained a list from accounts payable to show the actual amount paid and compared the two lists and noted differences.

The RAA system data is not reliable to adequately monitor subrecipients. The system shows the entities that need and the entities that do not need audits in accordance with OMB Circular A-133. However, we noted some for profit entities that were flagged as needing an A-133 audit. Since ORAA is using this system to monitor subrecipients, the data should be complete and accurate. Therefore, we cannot rely on the data obtained from the RAA system for a complete list of subrecipients that are subject to the audit requirements of OMB A-133.

We noted that the UMCP, a pass-through entity, did not adequately monitor subrecipients to ensure that those subrecipients that expended more than \$300,000 in Federal funds during fiscal year 2003 had met the audit requirements of OMB Circular A-133. We reviewed 5 subrecipient agreements and noted that for all 5 subrecipients the UMCP did not request the subrecipient to certify their compliance with the audit requirements of OMB Circular A-133 for the fiscal year ended June 30, 2003. The audit reports for the fiscal year ended June 30, 2003 should have been received by UMCP by March 31, 2004 for UMCP to be in compliance with the subrecipient requirements of OMB Circular A-133.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-18 (continued)

Criteria:

OMB Circular A-133 subpart D Section .400 (d)(4) states, “pass-through entities should ensure that subrecipients expending \$300,000 or more in federal awards during the subrecipient’s fiscal year have met the audit requirements of this part for that fiscal year.”

OMB Circular A-133 subpart D Section .400 (d)(5) states, “pass-through entity should issue a management decision on audit findings within six months after receipt of the subrecipient’s audit report and ensure that the subrecipient takes appropriate and timely corrective action.”

Cause:

The UMCP does not have an adequate system in place to identify and monitor subrecipient compliance with OMB Circular A-133 subpart D.

Effect:

Subrecipients are not being monitored in accordance with OMB Circular A-133 subpart D.

Recommendation:

We recommend that UMCP strengthen its internal control procedures to adequately identify and monitor subrecipient compliance with the audit requirements of OMB Circular A-133 subpart D.

Auditee Response and Corrective Action Plan:

The University agrees with the finding. The Office of Research Administration and Advancement has established the position of Compliance Coordinator who will be responsible for subrecipient monitoring. Procedures have been put in place to facilitate this function.

Auditor’s Conclusion:

Based on the above, the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-19

Research and Development Cluster

Time and effort reports were not completed to substantiate payroll charges to federal awards by the University of Maryland Baltimore.

Condition:

We reviewed 40 expenditures from research and development federal awards totaling \$285,674 for the fiscal year ended June 30, 2004. From these 40, we reviewed 20 payroll transactions totaling \$55,026 and noted that the University of Maryland, Baltimore (UMB) did not complete time and effort reports to substantiate payroll charges for 3 of the 20 transactions totaling \$16,804.

Criteria:

OMB Circular A-21(J)(8)(c)(2)(b) states, “These reports will reflect an after-the-fact reporting of the percentage distribution of activity of employees. Charges may be made initially on the basis of estimates made before the services are performed, provided that such charges are promptly adjusted if significant differences are indicated by activity reports.”

OMB Circular A-21(J)(8)(c)(2)(c) states, “Reports will reasonably reflect the activities for which employees are compensated by the institution. To confirm that the distribution of activity represents a reasonable estimate of the work performed by the employee during the period, the reports will be signed by the employee, principal investigator, or responsible official(s) using suitable means of verification will sign the reports that the work was performed.”

OMB Circular A-21(J)(8)(d)(1) states, “Charges for work performed on sponsored agreements by faculty members during the academic year will be based on the individual faculty member’s regular compensation for the continuous period which, under the policy of the institution concerned, constitutes the basis of his salary.”

Cause:

UMB did not require complete time and effort reports for payroll expenditures charged to federal grants and contracts.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-19 (continued)

Effect:

The payroll charges to this research and development contract during the fiscal year ended June 30, 2004 are not supported by time and effort reports resulting in approximately \$16,802 in questioned salary and wage costs.

Recommendation:

We recommend that UMB complete time and effort reports for all faculty and staff to support payroll charges to research and development grants during the fiscal year ended June 30, 2004 and for subsequent periods. We also recommend that UMB pursue settlement of the questioned costs with the applicable federal agency that awarded the grant.

Auditee Response and Corrective Action Plan:

The University agrees with the recommendation. However, it should be noted that we received 99.6% of all the effort reports issued for the fiscal year ended June 30, 2004. We are in the process of collecting all of the remaining outstanding effort reports. This issue will be resolved by April 8, 2005. Once we receive these reports, there should be no questioned costs.

Auditor's Conclusion:

Based on the above, the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-20

Research and Development Cluster

Internal controls at the University of Maryland Baltimore over the cash management process are weak.

Condition:

The draw down of research and development funds is prepared and processed by the University of Maryland Baltimore's (UMB) Financial Services Office. We noted that one person is responsible for preparing and processing the draw down request. We reviewed 15 draw down requests totaling \$45.1 million of which \$1.6 million related to the grants under review. For 6 of the 15 draw downs, we could not trace the draw down of federal funds to the amount of actual expenditures incurred. In addition, we noted that management neither reviews the draw down determination for accuracy nor approves the requests prior to requesting reimbursement from the federal government.

Due to the lack of review and approval of draw downs, the UMB made a duplicate draw down of \$8.2 million on a National Institutes of Health (NIH) grant between April and May 2003. However, the UMB failed to reconcile the draw downs made during the fiscal year and reported the over drawn amount on the SF 272 financial report for the quarter ended September 30, 2003. The funds were not returned to NIH until November 26, 2003, nearly four months after the over drawn amount was made.

Criteria:

OMB Circular A-133 Subpart C Section .300 (b) states, "The auditee shall maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

Cause:

UMB did not have adequate internal controls in place to ensure that federal cash draw downs are properly supported. UMB's internal control procedures over reimbursement of expenditures do not require supervisory review of reimbursement requests.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-20 (continued)

Effect:

Internal controls for the cash management are not adequate to ensure draw downs are properly supported and reviewed prior to submission.

Recommendation:

We recommend that UMB establish internal control procedures to ensure that cash draw downs are supported with financial records and reviewed and approved prior to submission to the federal agency. We recommend that UMB ensure that draw downs are reconciled in a timely fashion.

Auditee's Response and Corrective Action Plan:

The University agrees with the recommendation. We have enhanced our system of internal controls by requiring two separate individuals to calculate the draw down amount based on our expenses in the Financial Accounting System. The calculated amounts are compared and when they are satisfied that the drawdown request is correct, it is presented to the Manager of Restricted Fund Accounting for review and final approval.

As of July 2004, UMB increased the frequency of NIH draw downs to biweekly.

Auditor's Conclusion:

Based on the above, the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-21

Department of Health and Mental Hygiene (DHMH)

Medicaid Cluster

CFDA No. 93.777 – State Survey and Certification of Health Care Providers and Suppliers

CFDA No. 93.778 – Medical Assistance Program

Internal control weakness over the Federal cash draw down process.

Condition:

Each week, the Office of Planning and Finance prepares a cash draw down memorandum and sends it to General Accounting requesting them to draw down federal funds based on the amounts in the memorandum. We reviewed 10 cash draw down memorandum requests and noted that 4 memorandum requests totaling \$74,175,596 had no audit evidence of review and approval by management prior to submission to the Center for Medicare and Medicaid's Payment Management System (CMS) for reimbursement.

Criteria:

OMB Circular A-133 Subpart C Section .300 (b) states, "The auditee shall maintain internal controls over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

Cause:

Management's internal control procedures over cash reimbursement of medical assistance expenditures did not require formal documentation of reviews for a portion of the fiscal year.

Effect:

There is no assurance that all cash draw downs of federal funds are reviewed and approved prior to submission to the CMS.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-21 (continued)

Recommendation:

We recommend that DHMH establish and document internal control procedures to review and approve cash drawdowns for medical assistance expenditures prior to submission. The review and approval of the cash drawdowns should be documented to substantiate that the review had been performed properly.

Auditee Response and Corrective Action Plan:

We note that the audit issue is one of documentation of this procedure—not a question of actual performance of supervisory review, approval and oversight. The weekly calculations and memoranda of federal cash draws have been consistently reviewed and approved by appropriate supervisory personnel. The four draws for which there was no written evidence of supervisory review (sign off) were for an interim period in fiscal year 2004 which pre-dated the auditor's submission of the previous (SFY 2003) finding on this matter. Since receipt of the previous FY 2003 audit finding on this issue (received in SFY 2004), the reviewing supervisor in this Division has signed off on each cash draw down as documentation of supervisory review and approval.

Auditor's Conclusion:

Based on the above, the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-22

Department of Health and Mental Hygiene (DHMH) CFDA No. 93.778 – Medical Assistance Program

The Department of Health and Mental Hygiene used a check clearance pattern to make draw downs that was not agreed to in the Cash Management Improvement Act Agreement between the State Treasurer of Maryland and the Secretary of the Treasury – United States Department of Treasury.

Condition:

To comply with the provisions of the Cash Management Improvement Act (CMIA) of 1990, the State Treasurer of Maryland entered into a CMIA agreement with the U.S. Department of Treasury. The agreement took effect July 1, 2002 and remains in effect through June 30, 2007.

We noted that DHMH certified within the CMIA Agreement that Federal Funds on behalf of Payments to Local Health Departments would be drawn down using the Immediate Monthly Draw Funding Technique. However, Federal Funds on behalf of Payments to Local Health Departments were being drawn down using the Fixed Administrative Allowances – Biweekly Payroll Funding Technique. On June 14, 2002, DHMH certified the accuracy of a clearance pattern that they are not adhering to.

Criteria:

31 CFR 205.7A states, “We or a State may amend a Treasury-State agreement at any time if both we and the State agree in writing.”

31 CFR 205.7C states, in part, “We and a State must amend a Treasury-State agreement as needed to change or clarify its language when the terms of the existing agreement are either no longer correct or no longer applicable. A State must notify us in writing within 30 days of the time the State becomes aware of a change, describing the Federal assistance program change. The notification must include a proposed amendment for our review and a current list of all programs included in the Treasury-State agreement. Amendments may address, but are not limited to:

- (1) Additions or deletions of Federal assistance programs subject to this subpart A;
- (2) Changes in funding techniques; and
- (3) Changes in clearance patterns.”

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-22 (continued)

Cause:

DHMH decided to use a different funding technique to reimburse the Local Health Departments. DHMH did not make the appropriate request for this change of the Secretary of the Treasurer-United States Department of the Treasury.

Effect:

DHMH is not complying with the terms defined in the CMIA agreement in regards to payments to Local Health Departments.

Recommendation:

We recommend that DHMH follow up with the State Treasurer of Maryland to ensure the appropriate amendment is made to the CMIA agreement in regards to the methodology of reimbursing Local Health Departments.

Auditee Response and Corrective Action Plan:

The Department has requested that the Treasurer's Office remove the Grants to Local Health Department component from the CMIA agreement. This component is unnecessary and is not used because grants to local health departments are funded by Medicaid's Administrative Cost Grant which is drawn using the Biweekly Payroll Funding Technique.

Auditor's Conclusion:

Based on the above, the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-23

Department of Health and Mental Hygiene (DHMH)

Medicaid Cluster

CFDA No. 93.778 – Medical Assistance Program

Internal control weakness over Financial Reporting Process.

Condition:

We selected two of the PMS-272 Quarterly Cash Transactions Reports for testing and noted that there was no audit evidence of a supervisory review and approval prior to submission to the Center of Medicare and Medicaid (CMS) Payment Management System (PMS). We also noted that the reports' accuracy was certified by an official who did not review the report before submission.

Criteria:

OMB Circular A-133 Subpart C Section .300 (b) states, "The auditee shall maintain internal controls over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

Cause:

The DHMH does not have adequate internal control procedures over the review and submission of the PMS-272 reports.

Effect:

There is no assurance that the PMS-272 reports submitted are reviewed and approved prior to submission.

Recommendation:

We recommend that the DHMH establish proper internal control procedures to ensure a supervisor reviews and approves the PMS-272 reports prior to submission to the Payment Management System.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-23 (continued)

Auditee Response and Corrective Action Plan:

With regard to the Title XIX and XXI components of the PMS-272 (Payment Management System), supervisory personnel within the Office of Planning and Finance, Medical Care Programs, have consistently reviewed and approved the reconciliation prior to forwarding to the Division of General Accounting. In response to this audit issue, the reviewing, supervisory personnel will sign and date each completed review.

Sign off for the complete, Department-wide PMS-272 is the responsibility of the DHMH Division of General Accounting. The Division of General Accounting (DGA) requires that a screen print of the information to be reported be verified and approved, in writing, by a Supervisor prior to the electronic submission of the PMS-272 report.

Auditor's Conclusion:

Based on the above, the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-24

**Department of Health and Mental Hygiene
Medicaid Cluster
CFDA No. 93.778 – Medicaid Assistance Program**

Internal control weakness over the eligibility determination process for medical assistance benefits.

Condition:

On July 1, 1985 the Maryland State Department of Health and Mental Hygiene (DHMH) entered into an agreement with the Maryland State Department of Human Resources (DHR). DHR agreed to determine eligibility for Medical Assistance on a uniform basis throughout the State for persons who are indigent or medically indigent according to regulations, guidelines and procedures established by DHMH.

The DHR Local Department of Social Service (LDSS) offices did not obtain the necessary documentation and perform the necessary verifications of income and resources to support eligibility determinations for medical assistance benefit payments.

We reviewed 40 newly established Medical Assistance cases processed during the fiscal year ended June 30, 2004 and noted that 21 of the 40 cases (52.5%) lacked one or more of the required documentation or verifications or was not processed within the required timeframe to determine eligibility. We reviewed the applicant's case files and noted the following:

- For 2 of the 40 cases the files did not contain the written application.
- For 5 of the 40 cases the applicant's income was not verified.
- For 4 of the 40 cases the applicant's resources were not verified.
- For 10 of the 40 cases we were unable to determine whether the applicant's benefit payments were calculated properly.
- For 15 of the 40 cases the application was not processed within the required timeframe.
- For 10 of the 40 cases the case file did not contain the documentation to support the agency's decision.
- For 10 of the 40 cases the case files did not contain the necessary documentation to properly support the eligibility determination decisions, thus, we could not determine whether the applicants should have been eligible or ineligible for medical assistance benefits during fiscal year 2004.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-24 (continued)

We also reviewed 40 medical assistance cases where redeterminations were due during the fiscal year ended June 30, 2004. We noted that 18 of the 40 cases (45%) lacked one or more of the required documentation or verification or was not processed within the required timeframe to determine eligibility. We reviewed the applicant's case files and noted the following:

- For 1 of the 40 cases the recipient did not provide a social security number.
- For 7 of the 40 cases the applicant's income was not verified.
- For 12 of the 40 cases the applicant's resources were not verified.
- For 5 of the 40 cases the application was not processed within the required timeframe.
- For 15 of the 40 cases the case file did not contain the documentation to support the agency's decision.
- For 13 of the 40 cases we were unable to determine whether the applicant's benefit payment was calculated properly.
- For 15 for the 40 cases the case files did not contain the necessary documentation to properly support the eligibility determination decisions, thus, we could not determine whether the applicants should have been eligible or ineligible for medical assistance benefits during fiscal year 2004.

This is a repeat finding from the Fiscal Year Ended June 30, 2003 Single Audit Report finding number 2003-7.

Criteria:

42 CFR 435.907 (a) states, "The agency must require a written application from the applicant, an authorized representative, or, if the applicant is incompetent or incapacitated, someone acting responsibly for the applicant."

42 CFR 435.910 (a) states, "The agency must require, as a condition of eligibility that each individual (including children) requesting Medicaid services furnish each of his or her social security numbers (SSNs)."

42 CFR 435.910 (g) states, "The agency must verify each SSN of each applicant and recipient with SSA, as prescribed by the Commissioner, to insure that each SSN furnished was issued to that individual, and to determine whether any other were issued."

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-24 (continued)

42 CFR 435.948 (a) states, “Except as provided in paragraphs (d), (e), and (f) of this section, the agency must request information from the sources specified in this paragraph for verifying Medicaid eligibility and the correct amount of medical assistance payments for each applicant (unless obviously ineligible on the face of his or her application) and recipient. The agency must request—

- (1) State wage information maintained by the SWICA during the application period and at least on a quarterly basis.
- (6) Any additional income, resource, or eligibility information relevant to determinations concerning eligibility or correct amount of medical assistance payments available from agencies in the State or other States administering the following programs as provided in the agency’s State plan:
 - (i) AFDC
 - (ii) Medicaid;
 - (iii) State-administered supplementary payment programs under Section 1616(a) of the Act;
 - (iv) SWICA;
 - (v) Unemployment compensation;
 - (vi) Food stamps; and
 - (vii) Any State program administered under a plan approved under Title I (assistance to the aged), X (aid to the blind), XIV (aid to the permanently and totally disabled), or XVI (aid to the aged, blind, and disabled in Puerto Rico, Guam, and the Virgin Islands) of the Act.”

42 CFR 435.913 (a) states, “The agency must include in each applicant’s case record facts to support the agency’s decision on his application.”

42 CFR 435.911 (a) states, “The agency must establish time standards for determining eligibility and inform the applicant of what they are. These standards may not exceed—

- (1) Ninety days for applicants who apply for Medicaid on the basis of disability; and
- (2) Forty-five days for all other applicants.

Cause:

DHR personnel did not obtain the necessary documentation to perform verifications of income, resources, and/or social security numbers prior to determining the eligibility of the applicant.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-24 (continued)

Effect:

Since documentation and verifications were not performed in accordance with program requirements, DHR does not have adequate assurance that eligibility for medical assistance benefits is being properly determined. Questioned costs are undeterminable.

Recommendation:

We recommend the DHR comply with established federal regulations for determining eligibility and include obtaining the required documentation and performing verifications to support eligibility decisions.

Auditee Response and Corrective Action Plan:

The Executive Director of the Family Investment Administration (FIA), Department of Human Resources was sent a letter from the Executive Director of the Office of Operations, Eligibility & Pharmacy, DHMH, on August 25, 2004. The letter requested corrective action plans to address the audit findings of Ernst & Young. The FIA responded to the Office of Operations, Eligibility & Pharmacy on October 4, 2004 with a corrective action plan that identified what actions will take place and the contact person in charge of the action. DHMH has identified these as technical errors committed by the Department of Human Resources. Therefore, a letter will be sent by the Department to the Secretary, DHR, requesting a review of the audit findings as well as a status update of the established corrective action plan and any possible changes to the plan. DHMH will consider any improvements that can be made to help DHR comply with established federal regulations. In addition, the Executive Directors of DHMH and DHR will meet in the near future to discuss any required changes to the corrective action plan.

Additionally, a Program Integrity unit has recently been established which has a goal of reviewing processes and procedures to reduce fraud, waste and abuse. Eligibility has been identified as a priority to review in order to determine areas of improvement. The unit will also follow up on the issue related to this finding.

Auditor's Conclusion:

Based on the above, the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-25

Department of Health and Mental Hygiene (DHMH)

Medicaid Cluster

CFDA No. 93.778 – Medical Assistance Program

The Department of Health and Mental Hygiene did not maintain audit evidence verifying that subrecipients were not suspended or debarred.

Condition:

We reviewed 12 contract files between the Department of Health and Mental Hygiene and the contractor/subrecipient to ensure that the suspended and debarred certifications were obtained in accordance with the provisions of OMB Circular A-102 and other procurement requirements specific to an award. We noted that 3 out of the 12 contracts made to subrecipients did not have suspension and debarment certifications verifying that the entity is not suspended or debarred.

Criteria:

OMB Circular A-102 (d) states, “**Debarment and Suspension.** Federal agencies shall not award assistance to applicants that are debarred or suspended, or otherwise excluded from or ineligible for participation in federal assistance programs under Executive Order 12549. Agencies shall establish procedures for the effective use of the List of Parties Excluded from Federal Procurement or Nonprocurement programs to assure that they do not award assistance to listed parties in violation of the Executive Order. Agencies shall also establish procedures to provide for effective use and/or dissemination of the list to assure that their grantees and subgrantees (including contractors) at any tier do not make awards in violation of the nonprocurement debarment and suspension common rule.”

Cause:

DHMH personnel were unaware that they had to obtain suspended or debarred certifications from entities that had subawards.

Effect:

Contracts between DHMH and subrecipients were made without proper suspension and debarment reviews. DHMH made contracts with subrecipients who could potentially be suspended and debarred.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-25 (continued)

Recommendation:

We recommend that DHMH adhere to the provisions of OMB Circular A-102 and obtain and maintain suspension and debarment certifications for all covered contracts and subawards.

Auditee Response and Corrective Action Plan:

The Department is in agreement with this finding. The Department will modify its standard Memorandum of Understanding language to include the requirements of Circular A-102(d), “Debarment and Suspension. Federal agencies shall not award assistance to applicants that are debarred or suspended, or otherwise excluded from ineligible for participation in Federal assistance programs under Executive Order 12549.” This contract language will also include signatory documentation by the partnering entity that a search of the Federal Debarment list must be conducted and yield no debarment violations on the part of any entity of the contract, prime or subcontractor.

This contract language will be shared with the DHMH Medicaid award personnel and included in the Local Health Department Funding System Manual. Additional internal controls will require that the no finding printout from the electronic Federal Debarment List be a part of the DHMH contract file.

Auditor’s Conclusion:

Based on the above, the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-26

**Department of Health and Mental Hygiene
Medicaid Cluster
CFDA No. 93.778 – Medical Assistance Program**

DHMH did not adequately monitor the contract for outpatient bill audits to ensure that the contractor was in compliance with the contract requirements.

Condition:

On May 1, 2003, the Department of Health and Mental Hygiene (DHMH) entered into a contract with Integrated Health Auditing and Service, Inc. (IHAS) to perform audits of outpatient bills. The contract required that IHAS review a minimum of 50% of the outpatient bills submitted to them by DHMH. DHMH did not monitor and evaluate the performance of IHAS to ensure that they conducted audits covering at least 50% of the outpatient bills. During our review, we noted that of the 12,575 outpatient bills, IHAS completed only 1,391 or 11% of the outpatient bills.

Criteria:

42 CFR 431.630 (b) states, “The State Plan must provide that the contract with the QIO— (1) meets the requirement of Sec. 434.6 (a) of this part; (2) includes a monitoring and evaluation plan by which the State ensures satisfactory performance by the QIO.”

Cause:

DHMH personnel did not properly monitor the performance of the contractor to ensure that the contractor was in compliance with the contracts terms.

Effect:

Since IHAS did not review the required outpatient bills, DHMH does not have adequate assurance that the invoices were properly billed.

Recommendation:

We recommend that DHMH establish internal controls to adequately monitor and evaluate contractor performance to ensure the contract requirements are met.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-26 (continued)

Auditee Response and Corrective Action Plan:

We agree with the auditor's finding that the contractor did not meet the contract requirement to conduct audits covering at least 50% of the outpatient bills submitted to them by DHMH. However, we have realized that this 50% requirement, which is based on our experience with the inpatient bill audits, is not a reasonable standard for the outpatient audits because the financial return is not significant enough for a contractor to earn an adequate contingency fee. In fiscal year 2004, outpatient audits only produced a net return to the State of \$63,172 with \$19,284 in fees to the contractor. Consequently we are planning to modify this contract requirement to a more reasonable standard, probably linked to the total cost of outpatient services rather than the number of bills. In the future, our goal is to combine the outpatient and inpatient audits into one contract which will give us more latitude in setting monetary goals across both types of services.

Auditor's Conclusion:

Based on the above, the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-27

**Department of Health and Mental Hygiene
Medicaid Cluster
CFDA No. 93.778 – Medical Assistance Program**

The Department of Health and Mental Hygiene failed to identify and refund uncashed or cancelled checks to the Centers for Medicare and Medicaid Services in accordance with federal regulations.

Condition:

On a quarterly basis, the Maryland State Department of Health and Mental Hygiene (DHMH) is required to identify and refund those checks which remain uncashed or cancelled beyond a period of 180 days after issuance. We noted that DHMH did not identify uncashed or cancelled checks that were beyond 180 days for the period November 2003 through June 2004. As a result, we were unable to determine the amount of Federal Financial Participation (FFP) that should have been returned to Centers for Medicare and Medicaid Services.

Criteria:

42 CFR 433.40 (c) states, “Refund of Federal financial participation (FFP) for uncashed checks –

- (1) General provisions. If a check remains uncashed beyond a period of 180 days from the date it was issued; i.e., the date of the check, it will no longer be regarded as an allowable program expenditure. If the State has claimed and received FFP for the amount of the uncashed check, it must refund the amount of the FFP received.
- (2) Report of refund. At the end of each calendar quarter, the State must identify those checks which remain uncashed beyond a period of 180 days after issuance. The State agency must refund all FFP that it received for uncashed checks by adjusting the Quarterly Statement of Expenditures for that quarter. If an uncashed check is cashed after the refund is made, the State may file a claim. The claim will be considered to be an adjustment to the costs for the quarter in which the check was originally claimed. This claim will be paid if otherwise allowed by the Act and the regulations issued pursuant to the Act.
- (3) If a State does not refund the appropriate amount specified in paragraph (c) (2) of this section, the amount will be disallowed.”

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-27 (continued)

42 CFR 433.40 (d) states, “Refund of FFP for cancelled (voided) checks –

- (1) General Provisions. If a State has claimed and received FFP for the amount of a cancelled (voided) check, it must refund the amount of FFP received.
- (2) Report of refund. At the time of each calendar quarter, the State agency must identify those checks which were cancelled (voided). The State must refund all FFP that it received for cancelled (voided) checks by adjusting the Quarterly Statement of Expenditures for that quarter.
- (3) If a State does not refund the appropriate amount as specified in paragraph (d) (2) of this section, the amount will be disallowed.”

Cause:

DHMH did not run the R*STARS report that identifies the uncashed and cancelled checks on a quarterly basis. As a result, DHMH could not identify the uncashed or cancelled checks and refund the amount to CMS.

Effect:

DHMH does not have adequate procedures in place to ensure compliance with the federal regulations. Additionally, DHMH owes CMS the Federal Financial Participation. This amount is unknown.

Recommendation:

We recommend the DHMH establish procedures to comply with federal regulations and identify uncashed or cancelled checks that are beyond 180 days after issuance on a quarterly basis and refund the appropriate FFP amount back to CMS in a timely manner.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-27 (continued)

Auditee Response and Corrective Action Plan:

The Division of General Accounting will supply the Medicaid program with an escheated warrant report, as requested but at least quarterly, for preparation of the Quarterly Statement of Expenditures (CMS 64).

Auditor's Conclusion:

Based on the above, the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-28

Department of Health and Mental Hygiene (DHMH)

Medicaid Cluster

CFDA No. 93.778 – Medical Assistance Program

DHMH should develop internal controls over the interface process of the eligibility system, Client Automated Resource Eligibility System (CARES), to the medical payment system, Medicaid Management Information System II (MMISII) and resolve identified errors in a timely manner.

Condition:

The Department of Human Resources (DHR) determines the eligibility status of medical assistance participants and documents such status in the Client Automated Resource Eligibility System (CARES). Due to interfacing problems between the eligibility system, CARES, and the payment system, Medicaid Management Information System II (MMIS II), a significant number of recipients encounter errors as part of the enrollment process. This results in recipients potentially having delayed or extended benefits until the identified errors are corrected. It was noted based upon our review that the delay could be up to a month to correct an identified error. Due to the ineffectiveness of the interface, improper claims were likely paid for some of these recipients throughout the fiscal year 2004.

Criteria:

OMB Circular A-133 Subpart C Section .300 (b) states, “The auditee shall maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.”

Cause:

The interface between the CARES application and the MMIS-II application was not thoroughly tested prior to being put into production. As a result, system problems related to the inadequate processing of CARES records were not detected in a timely manner. DHR currently has established a monthly reconciliation process as well as a daily interface error identification process. However, these items are not always being performed nor remediated timely.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-28 (continued)

Effect:

Ineligible or eligible Medicaid recipients were extended or delayed coverage for a period of time. As a result, funds were paid to these recipients in error or services were delayed to a valid recipient. The amount of questioned costs is undeterminable.

Recommendation:

DHMH should make the necessary system enhancements to ensure that the interface process is properly executed. Further, we recommend that the error reports reviewed and remediated on a daily basis. In doing so, there is greater assurance that all recipients will be provided appropriate level of service. We recommend that DHMH identify the cost of the improper Medical Assistance payments and pursue resolution of the questioned costs with the U.S. Department of Health and Human Services.

Auditee Response and Corrective Action Plan:

The MMIS system correctly identifying discrepant information which is sent via the interface. The MMIS system is programmed to reject discrepant information so that the case can be reviewed manually, and the appropriate action can be taken. While we are aware that failing to close eligibility timely can result in additional expenditures, opening a case for an ineligible individual can be even more costly. DHR working with staff from DHMH has made changes to the monthly reconciliation file which has increased the accuracy of the report, and decreased the number of cases which error out. DHR/DHMH is now in the process of modifying the daily file which should further increase accuracy. At the present time, approximately less than 5% of the total monthly cases error out due to discrepancies in eligibility that could result in possible inappropriate payments. The Recipient Eligibility staff makes every attempt to process cases which require manual review on a daily basis. However, the Division has been severely affected by the hiring freeze and staff reductions. Because of the ongoing improved efforts to reconcile these files, the resulting decrease of ineligible cases and the limited State resources, DHMH has determined that it is not cost effective to expend additional administrative costs to identify possible erroneous payments. Furthermore, DHMH routinely identifies and recoups capitation payments made on behalf of a deceased recipient or a recipient who has moved out of state and will continue to do so.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-28 (continued)

Auditor's Conclusion:

Based on the above, the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-29

**Department of Health and Mental Hygiene
CFDA No. 93.283 – Center for Disease Control and Prevention: Investigations and
Technical Assistance**

Internal control weaknesses and non-compliance over the Federal cash management process.

Condition:

We noted that one individual within the Department of Health and Mental Hygiene (DHMH) determines the drawdown amount, prepares the request for federal reimbursement and forwards the request to the State Treasurer’s Office for processing. DHMH’s internal controls do not require a supervisor to review the drawdown for accuracy nor approve the drawdown request prior to requesting reimbursement from the federal government.

We also noted that drawdown requests for Local Health Departments (LHD), which are extensions of the State, were based on allocations of funds made available to the LHD rather than actual expenditures of the LHD. DHMH’s internal controls over the drawdown of funds related to LHD allocations are not in compliance with 31 CFR 205 Subpart B. Refer to the table below for the differences between actual cumulative expenditures posted to R*STARS and actual funds drawdown (related to LHD) on a monthly basis.

	Year	Cumulative Expenditures	Cumulative Draws	Difference
July	2003	\$ 129,292	\$ –	\$ 129,292
August	2003	588,325	–	588,325
September	2003	1,067,125	–	1,067,125
October	2003	1,668,072	3,028,966	(1,360,894)
November	2003	2,221,266	3,028,966	(807,700)
December	2003	2,975,563	5,323,637	(2,348,074)
January	2004	3,747,192	5,323,637	(1,576,445)
February	2004	4,351,372	5,323,637	(972,265)
March	2004	5,018,528	5,323,637	(305,109)
April	2004	6,009,643	7,618,308	(1,608,665)
May	2004	6,723,229	9,178,684	(2,455,455)
June	2004	8,763,371	9,178,684	(415,313)
July	2004	9,003,331	9,178,684	(175,353)

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-29 (continued)

Criteria:

OMB Circular A-133 Subpart C Section .300 (b) states, “The auditee shall maintain internal controls over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.”

31 CFR 205 Subpart B: *Rules Applicable to Federal Assistance Programs Not Included in a Treasury-State Agreement*, Section 33(a) states, “A State must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. A federal program agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accordance with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project. The timing and amount of funds transfers must be as close as is administratively feasible to a State’s actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs.”

Cause:

DHMH’s internal controls do not require a supervisory review of drawdown requests to occur prior to requesting reimbursement of federal funds.

DHMH’s process and internal controls allow for Federal funds to be given to LHD based on allocations, not on actual expenditures.

Effect:

DHMH’s internal controls over the cash management process are not adequate to ensure accurate preparation and processing of federal cash drawdowns, due to the fact that a supervisory review of drawdown requests is not performed prior to requesting reimbursement of federal funds.

DHMH’s internal controls over the cash management process, related to LHD allocations, are not adequate to ensure that drawdown requests are in compliance with 31 CFR 205 Subpart B. This resulted in non-compliance with 31 CFR 205 Subpart B due to funds transfers in excess of the State’s actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-29 (continued)

Recommendation:

We recommend that DHMH establish and document internal control procedures over reviewing and approving federal cash drawdowns. The review and approval of the federal cash drawdowns should be documented to substantiate that the review has been performed prior to requesting reimbursement of federal funds.

We also recommend that DHMH establish and document internal control procedures to ensure that allocations made available to LHDs, which are included in the drawdown request, do not exceed their actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs.

Auditee Response and Corrective Action Plan:

The Department agrees with the finding and supervisory review and approval is now required on all drawdown requests. The Department will change its current practice of requesting funds for certain local health departments based on their award rather than actual expenditures. A monthly request for funds will be made based on expenditures as of the previous month.

Auditor's Conclusion:

Based on the above, the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-30

**Department of Health and Mental Hygiene
CFDA No. 93.283 – Center for Disease Control and Prevention: Investigations and
Technical Assistance**

Internal control weakness and non-compliance over the Period of Availability monitoring process. DHMH charged expenditures to awards subsequent to 90 days after the end of the funding period.

Condition:

We noted that \$341,984 in obligations relating to the Pfiesteria-Related Illness Surveillance and Prevention Cooperative Agreement U50/CCU315411-05 were liquidated subsequent to the ninety day closeout period after the end of the funding period.

Criteria:

Part 3 Section H (Period of Availability of Federal Funds) of the OMB A-133 Compliance Supplement states, “Non-Federal entities subject to the A-102 Common Rule shall liquidate all obligations incurred under the award not later than 90 days after the end of the funding period.”

Cause:

DHMH does not have a control in place to prevent expenditures from being charged to grants subsequent to the ninety day closeout period after the end of the funding period.

Effect:

Due to the lack of controls in place at DHMH to prevent expenditures from being charged to grants outside the period of availability, questioned costs of \$341,984 were identified relating to Cooperative Agreement U50/CCU315411-05.

Recommendation:

We recommend that DHMH establish and document internal control procedures to ensure that grants are properly closed out by the ninetieth day after the end of the funding period. This control should be established in conjunction with the recommendation related to FSR reporting to establish a tracking system to ensure FSR’s are filed timely, Finding 2004-31.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-30 (continued)

Auditee Response and Corrective Action Plan:

The Department agrees with the finding and will utilize a FMIS feature to ensure that grants are closed 90 days after the end of the funding period.

Auditor's Conclusion:

Based on the above, the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-31

**Department of Health and Mental Hygiene
CFDA No. 93.283 – Center for Disease Control and Prevention: Investigations and
Technical Assistance**

Internal control weaknesses and non-compliance over the Financial Status Reporting process.

Condition:

DHMH is required to submit a final Financial Status Report (FSR) ninety days after the end of the budget period for the Pfiesteria-Related Illness Surveillance and Prevention Cooperative Agreement (U50/CCU315411-05). This report was the final report for the project. The expenditures reported on the FSR are reported on the cash basis. We noted that DHMH does not have a control in place to ensure that this report is submitted within the required time period. We also noted that the control of supervisory review of this report to ensure the accuracy and completeness of the data reported on the final FSR is not operating effectively. In addition, the report did not reflect the proper funding period and the period covered on the final report did not include the 90 day closeout period after the end of the funding period.

We noted that there was one grant that ended during fiscal year 2004 and based on our testing of the final FSR, we noting the following discrepancies:

Federal Grant Number	Total Expenditures		Unobligated Balance of Federal Funds	
	FSR (line 10a)	Accounting Records	FSR (line 10p)	Accounting Records
U50/CCU315411-05	\$ 1,035,878	\$ 693,893	\$ 142,818	\$ 484,803

Criteria:

OMB Circular A-133 Subpart C Section .300 (b) states, “The auditee shall maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on each of its Federal programs.”

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-31 (continued)

The cooperative agreement states, “an annual financial status report for the budget period is required to be submitted to the Grant Management Officer ninety days after the end of the budget period.”

The Financial Status Report instructions for Line 10a (total outlays) states, “For reports prepared on a cash basis, outlays are the sum of actual cash disbursements for direct costs for goods and services, the amount of indirect expense charged, the value of in-kind contributions applied, and the amount of cash advances and payments made to subrecipients.”

Cause:

DHMH does not have a tracking system in place to ensure that final FSR reports are filed timely.

DHMH’s control of supervisory review of reports to ensure the accuracy and completeness of the data reported on the final FSR is not operating effectively, which resulted in inaccurate amounts being reported on the final FSR submitted.

Effect:

DHMH’s internal controls over the final FSR reporting process are not adequate to ensure accurate preparation and timely submission of required reports. This resulted in non-compliance with the cooperative agreement.

Recommendation:

We recommend that DHMH establish a tracking system to ensure the final FSR reports are filed timely.

We also recommend that DHMH modify their existing control related to the supervisory review to ensure that the proper supervisor review is completed to ensure the data submitted is accurate and complete.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-31 (continued)

Auditee Response and Corrective Action Plan:

The Department agrees with the finding and will establish a tracking system that ensures that FSR reports are filed timely after the review and approval of an appropriate supervisor.

Auditor's Conclusion:

Based on the above, the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-32

**Department of Health and Mental Hygiene
CFDA No. 93.283 – Center for Disease Control and Prevention: Investigations and
Technical Assistance**

**Internal control weaknesses and non-compliance over the National Breast and Cervical
Cancer Early Detection Program earmarking requirement.**

Condition:

We noted that the calculations performed by individuals within the Department of Health and Mental Hygiene (DHMH) related to the earmarking requirements for the National Breast and Cervical Cancer Early Detection Program (NBCCEDP) were based on estimated expenditures for screening, non-screening, and administration.

Criteria:

Section H.2.b.(1) of the Center for Disease Control and Prevention (CDC) Program Announcement 02060 states, “Not less than 60% of cooperative agreement funds must be spent for screening, tracking, follow-up and the provision of appropriate individually provided support services. Cooperative agreement funds supporting public education and outreach, professional education, quality assurance and improvement, surveillance and program evaluation, partnerships, and management may not exceed 40% of the approved budget.”

Section H.2.b.(3) of CDC Program Announcement 02060 states, “Not more than 10% of the total funds awarded may be spent annually for administrative expenses...Administrative expenses comprise a portion of the 40% component of the budget.”

Cause:

DHMH does not have a control in place to verify that actual expenditures charged to the NBCCEDP cooperative agreement are in compliance with the earmarking requirements under CDC Program Announcement 02060.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-32 (continued)

Effect:

DHMH's internal controls over the earmarking requirements of the NBCCEDP are not adequate to ensure actual expenditures for screening, non-screening, and administration are within the required minimum/maximum percentages allowed under CDC Program Announcement 02060. As a result of this lack of control, compliance for this requirement could not be determined.

Recommendation:

We recommend that DHMH establish and document internal control procedures to ensure that the earmarking requirements of the NBCCEDP are met based on actual expenditures for screening, non-screening, and administration.

Auditee Response and Corrective Action Plan:

Currently, DHMH budgets at least 80% of funds awarded to local jurisdictions under this cooperative agreement for "screening costs" and no more than 7% for administrative costs to keep within the statutory limits on these cost centers. When the final year-end expenditure report is received from each jurisdiction, DHMH has used the budgeted percentage allocation for "screening costs," "non-screening costs," and "administrative costs" and applied these percentages to the total actual costs to determine the costs for each of these cost centers.

DHMH understands the recommendation for internal control procedures to ensure that the earmarking requirements of the NBCCEDP are met based on actual expenditures for screening, non-screening, and administration. DHMH will explore with CDC, other states, and other offices within DHMH to determine how best to institute appropriate internal control procedures for this cooperative agreement.

Auditor's Conclusion:

Based on the above, the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-33

Department of Health and Mental Hygiene

**CFDA No. 93.283 – Center for Disease Control and Prevention: Investigations and
Technical Assistance**

Internal control weakness and non-compliance over the subrecipient monitoring process. DHMH did not classify subrecipients in accordance with OMB Circular A-133.

Condition:

We noted that one of the twelve contracts tested was improperly classified as a vendor. DHMH's internal controls over subrecipient and vendor determinations are not in accordance with OMB Circular A-133. This internal control weakness also resulted in non-compliance with the subrecipient monitoring requirement of identifying to the subrecipient the Federal award information and applicable compliance requirements (at the time of the award).

Criteria:

45 CFR 74.26 states, "Recipients and subrecipients that are institutions of higher education or other non-profit organizations (including hospitals) shall be subject to the audit requirements contained in the Single Audit Act Amendments of 1996 (31 U.S.C. 7501-7507) and revised OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

OMB Circular A-133, Subpart B, Section 210 (b) states, "Characteristics indicative of a Federal award received by a subrecipient are when the organization: (1) Determines who is eligible to receive what Federal financial assistance; (2) Has its performance measured against whether the objectives of the Federal program are met; (3) Has responsibility for programmatic decision making; (4) Has responsibility for adherence to applicable Federal program compliance requirements; and (5) Uses the Federal funds to carry out a program of the organization as compared to providing goods or services for a program of the pass-through entity."

Part 3, Section M (Subrecipient Monitoring) of the OMB A-133 Compliance Supplement states, "A pass-through entity is responsible for award identification. At the time of the award, identifying to the subrecipient the Federal award information (e.g., CFDA title and number, award name, name of Federal agency) and applicable compliance requirements."

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-33 (continued)

Cause:

DHMH's internal controls over subrecipient and vendor determinations are not in accordance with OMB Circular A-133.

At the time of the award, DHMH did not identify to the subrecipient the Federal award information and applicable compliance requirements.

Effect:

DHMH's internal controls over subrecipient and vendor determinations are not adequate to ensure that subrecipients are properly identified and the OMB Compliance Supplement requirements for subrecipient monitoring are complied with.

Recommendation:

We recommend that DHMH review their current procedures over subrecipient and vendor determinations to ensure that they are in accordance with OMB Circular A-133, Subpart B, Section 210.

Auditee Response and Corrective Action Plan:

To assist Program personnel in properly classifying recipients of federal funds, the Department will delineate the characteristics of a vendor versus a subrecipient in its annual request for subrecipient information.

Auditor's Conclusion:

Based on the above, the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-34

Maryland Emergency Management Agency (MEMA)

CFDA No. 97.036 – Public Assistance Grants

The Maryland Emergency Management Agency did not maintain up-to-date records that could be reconciled between the Fiscal personnel and the Program personnel.

Condition:

During our audit we noted that a significant part of the Maryland Emergency Management Agency's internal control structure includes the use of spreadsheets to track project applications, project worksheets, project expenditures, drawdowns, and project close-outs. As part of our procedures, we noted these spreadsheets were not always maintained current and were not reconciled to the State's official accounting system (R*STARS) to ensure completeness and accuracy.

Criteria:

44 CFR Part 13.40 – Monitoring and reporting program performance states in part:

- (a) "Monitoring by grantees – Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements..."

As part of fulfilling their monitoring responsibilities, MEMA has developed a series of spreadsheets to control data and to identify project awards under the program.

Cause:

The program personnel and the fiscal personnel do not update their reporting spreadsheets on an ongoing basis and therefore, it is difficult to tie them to each other, the R*STARS System or reported amounts per the reports filed with FEMA.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-34 (continued)

Effect:

Weak internal controls and/or inadequately maintained spreadsheets which are key to MEMA's internal control structure could lead to noncompliance and inadequate monitoring of compliance with respect to pass-through funding.

Recommendation:

We recommend that the fiscal and the program personnel update their project spreadsheets on a more timely basis in order to keep them up to date with actual expenditures and current project status. In addition, we recommend these spreadsheets be periodically reconciled to the State's R*STARS accounting system.

Auditee Response and Corrective Action Plan:

The Agency concurs with the auditor's recommendation. These spreadsheets were initially set up as an internal "working tool" for the accounts payable staff to track payments and check numbers for use in answering inquiries from the Public Assistance staff and Public Assistance applicants. These spreadsheets were at the time of audit considered in process. The audit comparison was done on a fiscal year basis, however, these spreadsheets were not compiled on a fiscal year basis, but compiled by process date.

Based on the recommendation by the audit staff, it has been determined that Accounts Payable staff will keep these spreadsheets up-to-date and meet with the Public Assistance Program staff on a monthly basis to reconcile these spreadsheets between fiscal and program entities. In addition, these spreadsheets will also be reconciled to the FMIS R*STARS system on a monthly basis.

Auditor's Conclusion:

Based on the above, the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-35

Maryland Emergency Management Agency (MEMA)

CFDA No. 97.036 – Public Assistance Grants

The Maryland Emergency Management Agency did not maintain an up-to-date listing of required subrecipient single audit reports and, therefore, did not ensure that all required subrecipient single audit reports were received, reviewed, and appropriate corrective action and management decision made on any reported program findings.

Condition:

MEMA collects single audit reports from subrecipients receiving over \$300,000 in federal funding. However, we noted no monitoring list to ensure that all the subrecipients required to submit their single audit reports did so. During our testing, we selected 10 of 25 subrecipients receiving over \$300,000 and requiring an audit. For the 10 subrecipients tested, we noted 3 subrecipients who received over \$300,000 in funding did not submit single audit reports to MEMA. Because MEMA does not maintain a control list of subrecipients receiving over \$300,000, MEMA was not aware that these subrecipients had not submitted required audit reports.

Furthermore, 1 of the 10 reports selected contained a finding related to the federal program and MEMA did not pursue the finding, follow-up on subrecipient corrective action or issue a management decision within six months of receipt of the subrecipient single audit report.

Criteria:

44 CFR Part 13.26 “Non-Federal audits” states:

- (a) “Basic rule. Grantees and subgrantees are responsible for obtaining audits in accordance with the Single Audit Act Amendments of 1996 (31 U.S.C. 7501 – 7507) and revised OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-35 (continued)

- (b) “Subgrantees. State or local governments...that provide Federal awards to a subgrantee, which expends \$300,000 or more in federal awards in a fiscal year, shall:
- (1) Determine...subgrantees have met the audit requirements of the Act and whether subgrantees covered by OMB Circular A-110 – Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and other Non-Profit Organizations, have met the audit requirements of the Act;
 - (2) Determine whether the subgrantee spent Federal assistance funds provided in accordance with applicable laws and regulations;
 - (3) Ensure that appropriate corrective action is taken within 6 months after receipt of the audit report in instances of noncompliance with Federal laws and regulations;
 - (4) Consider whether subgrantee audits necessitate adjustment of the grantee’s own records.”

Cause:

MEMA did not maintain adequate internal controls in the form of a control list or other means to ensure subrecipients requiring single audits completed such audits and submitted them to MEMA.

In addition, due to staffing limitations, MEMA does not have a formalized desk review or similar process in place to review subrecipient single audit reports nor is there a process in place to follow-up on subrecipient corrective action or issue management decisions with respect to findings contained in subrecipient audit reports.

Effect:

MEMA is not in compliance with subrecipient audit monitoring requirements and has inadequate internal controls with respect to subrecipient audit monitoring. However, due to the extensive involvement of MEMA and FEMA in the Project Worksheet (PW) process approving a project and its scope as well as both agencies extensive involvement in the project close-out process, this weakness is not considered material to overall subrecipient compliance with laws and regulation and related pass-through entity monitoring requirements.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-35 (continued)

Recommendation:

We recommend that MEMA review their current procedures over subrecipient monitoring. MEMA should develop procedures that are adequate to ensure that all required single audit reports are received and reviewed. In addition, monitoring procedures should be formally documented and appropriate follow-up performed on any deficiencies identified to ensure appropriate corrective action has been taken by subrecipient.

Auditee Response and Corrective Action Plan:

The Agency concurs with the auditor's recommendation, however, subrecipients have nine months from the ending of the fiscal year to have their single audits performed and their reports compiled and forwarded to the granting agency. These reports for fiscal year ended June 30, 2004 would be required to be received by MEMA by March 31, 2005. This audit was performed prior to the deadline of March 31, 2005, therefore, not all subrecipients had yet forwarded these reports. Control sheets did exist, however, they were not kept up-to-date.

Agency personnel performed an inventory of single audit reports not yet received and letters informing these subrecipients of their requirement to forward these reports were mailed to the appropriate subrecipients. An updated control sheet and record of review of these reports has also been established.

Auditor's Conclusion:

Based on the above, the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-36

**Maryland Emergency Management Agency (MEMA)
CFDA No. 97.036 – Public Assistance Grants**

The Maryland Emergency Management Agency did not ensure that the June 30, 2004 FEMA 20-10 quarterly report and PSC 272 Federal Cash Transaction Report filed with FEMA accurately represented the amounts per the State’s general ledger, R*STARS.

Condition:

We selected one quarterly Financial Status Report (FSR), the FEMA 20-10 and one quarterly Federal Cash Transaction Report, PSC 272 for the State fiscal year ended June 30, 2004 to test for accuracy. We noted, as a result of our testing of the FSR and PSC 272 for the quarter and period ended June 30, 2004 that the reports filed did not agree with the State’s general ledger, (R*STARS), as follows:

<u>Grant Number</u>	<u>Expenditures Reported</u>	<u>Expenditures Per R*STARS</u>	<u>Difference</u>
FEMA 3179	\$ 18,977,360	\$ 18,961,424	\$ 15,936
FEMA 1492	\$ 21,469,436	\$ 21,536,892	\$(67,456)

Criteria:

44 CFR Part 13.41 – Financial Reporting, states in part:

- (a) “Financial Status Report – Grantees, will use..., the Financial Status Report (FSR), to report the status of funds for all nonconstruction grants and for construction grants...”
- (b) “Federal Cash Transactions Report – ...For grants paid by letter of credit, Treasury check advances or electronic transfer of funds, the grantee will submit the standard Form 272...”

Inherent in the requirement to submit these reports as well as instructions for the FSR and PSC 272 report further state the reports filed should directly reflect the amounts reported in the Program’s supporting accounting records.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-36 (continued)

Cause:

The variances could not be explained by fiscal personnel of the Maryland Emergency Management Agency.

Effect:

The amounts reported on the June 30, 2004 quarterly FSR and PSC 272 reports overstated expenditures for Grant 3179 – President’s Day Snow Storm by \$15,936 and understated expenditures reported for Grant 1492 – Hurricane Isabel by \$67,456.

Recommendation:

We recommend that the Public Assistance Program fiscal personnel should prepare a reconciliation to ensure that the amounts of expenditures per their quarterly FEMA 20-10 reports agree to the total expenditures per the State’s R*STARS accounting system.

Auditee Response and Corrective Action Plan:

The Agency concurs with the auditor’s finding. The variances between the FEMA 20-10 reports and the State’s R*STARS accounting system were due to year-end adjustments made in the State’s year-end closing adjustment month 13. The FEMA 20-10 reports and the PSC 272 Federal Cash Reports were prepared using the R*STARS month 12 information ended June 30, 2004. The fiscal personnel will ensure that a reconciliation between the FEMA 20-10 reports, PSC 272 Federal Cash Reports and the State’s R*STARS system is performed and any variances investigated and resolved before any future federal reporting is filed with the Federal grantor agency.

Auditor’s Conclusion:

Based on the above, the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-37

State of Maryland Department of Labor, Licensing and Regulation (DLLR)

WIA Cluster

CFDA No. 17.258 – WIA Adult Program

CFDA No. 17.259 – WIA Youth Activities

CFDA No. 17.260 – WIA Dislocated Workers

The State of Maryland Department of Labor, Licensing and Regulation did not maintain supporting documentation to verify that “during the award” monitoring was conducted.

Condition:

DLLR has documented procedures to perform “during the award” monitoring. We noted that there were no “during the award” monitoring procedures performed.

Criteria:

OMB Circular A-133 Section .400(d)(3) states, “Pass-through entity responsibilities: A pass-through entity shall perform the following for federal awards it makes: 1) Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.”

Cause:

The procedures as designed by DLLR for on-site fiscal monitoring were not performed due to staffing shortages as a result of state budget reductions.

Effect:

Subrecipient “during the award” monitoring did not occur.

Recommendation:

We recommend that DLLR follow the procedures designed for fiscal on-site monitoring to ensure that subrecipients are in compliance with program requirements.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-37 (continued)

Auditee Response and Corrective Action Plan:

The agency concurs with the audit finding. The on-site monitoring for the award period audited was not performed due to staffing shortages. DLLR has recently hired a fiscal monitor and engaged the services of a consultant to ensure that on-site fiscal monitoring will be performed in compliance with federal requirements. Also, DLLR is in the process of recruiting three program monitors. The annual on-site subrecipient monitoring will be completed by the end of the current calendar year.

Auditor's Conclusion:

Based on the above, the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-38

State of Maryland Department of Labor, Licensing and Regulation (DLLR)

WIA Cluster

CFDA No. 17.258 – WIA Adult Program

CFDA No. 17.259 – WIA Youth Activities

CFDA No. 17.260 – WIA Dislocated Workers

The State of Maryland Department of Labor, Licensing and Regulation did not have supporting documentation to explain the wage discrepancies between the Maryland Automated Benefits System (MABS) data and the Workforce Investment Act Standardized Record Data (WIASRD) database, which is used for performance reporting.

Condition:

We noted that 2 of 40 individual's wages in the WIASRD selected for wage testing did not agree with the wages in the MABS. For those 2 individuals tested, there was no wage data in the WIASRD while there was wage data in the MABS.

Criteria:

OMB Circular A-133 Subpart C Section .300 (b) states the auditee shall "maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

Cause:

The employers filed wage data late and the wage data did not make it into the WIASRD and the information and statistics reported in the performance report.

Effect:

The performance reports that the DLLR filed with the U.S. Department of Labor were understated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-38 (continued)

Recommendation:

We recommend that the DLLR implements procedures to ensure timely filing of wage data by employers.

Auditee Response and Corrective Action Plan:

The 2 instances where the earnings data reported to DOL did not agree with what was in the Unemployment Insurance Automated Benefits System (MABS). This problem was caused by the delinquent wage reporting by employers. In order to address this problem, the State has begun to work on procedures where the Wage Record Archive, maintained by the University of Baltimore, would be refreshed with the total MABS database on a quarterly basis. This should eliminate the problem of late reported wages not being in the data reported to USDOL.

Auditor's Conclusion:

Based on the above, the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-39

Maryland Department of Labor, Licensing and Regulation (DLLR)

WIA Cluster

CFDA No. 17.258 – WIA Adult Program

CFDA No. 17.259 – WIA Youth Activities

CFDA No. 17.260 – WIA Dislocated Workers

CFDA No. 17.255 – Workforce Investment Act

Internal control weaknesses related to accurate preparation of the Schedule of Expenditures of Federal Awards and periodic revenue and expenditure reports.

Condition:

For the fiscal year ended June 30, 2004, the Department of Labor, Licensing and Regulation (DLLR) personnel submitted revenue and expenditure reports to the federal grantor agency that reported revenues and expenditures by the CFDA number. The accuracy and completeness of these expenditure reports with respect to the expenditure amounts reported by the CFDA number are required to be tested as part of the OMB Circular A-133 audit. DLLR prepares the federal periodic reports based on activity recorded in the State’s general ledger, R*STARS. Additionally, DLLR personnel report these revenues and expenditures to the State of Maryland Comptroller’s Office via submission of the Schedule G, which is the source of the Schedule of Expenditures of Federal Awards. We noted that the DLLR did not reconcile fiscal year revenue or expenditure amounts reported on the periodic reports submitted to the federal grantor agency to the fiscal year revenue and expenditure amounts reported on the Schedule G or to the revenue and expenditures reported in R*STARS. The three types of reports, Schedule G, R*STARS, and the Federal Periodic Reports should reconcile with each other. The following shows a summary of the fiscal amounts reported by DLLR:

Revenues	Schedule G	R*STARS	Federal Periodic Reports PSC – 272
CFDA # 17.258	\$ 14,143,295	\$ 14,046,333	
CFDA # 17.259	11,477,701	11,396,250	Not available
CFDA # 17.260	19,480,065	6,982,918	as of the end
Total WIA Cluster	<u>\$ 45,101,061</u>	<u>\$ 32,425,501</u>	of fieldwork

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-39 (continued)

Expenditures	Schedule G	R*STARS	Federal Periodic Reports SF – 269
CFDA # 17.258	\$ 14,725,908	\$ 14,232,618	
CFDA # 17.259	12,012,266	11,471,467	
CFDA # 17.260	17,882,484	7,127,335	
Total WIA Cluster	<u>\$ 44,620,658</u>	<u>\$ 32,831,420</u>	<u>\$ 47,902,699</u>

We also noted during our review of the Schedule G originally prepared by DLLR that DLLR did not break out CFDA No. 17.255 into the CFDA No.'s listed above, which according to the Catalog of Federal Domestic Assistance (CFDA) should not be used anymore. Only after this problem was discussed with DLLR did they attempt to record the amounts in the proper CFDA No.'s. On the final Schedule G, which is the support for the expenditures reported in the Schedule of Expenditures of Federal Awards, CFDA No. 17.255 has still not been completely allocated to the CFDA No.'s listed above. Revenues of \$2,263,560 and expenditures of \$2,524,972 still remain in CFDA No. 17.255 on the Schedule G and the Schedule of Expenditures of Federal Awards.

Criteria:

OMB Circular A-133 Subpart C Section .300 (b) states, “The auditee shall maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.”

OMB Circular A-133 Subpart C Section .310 (b) also indicates that with respect to the Schedule of Expenditures of Federal Awards, the auditee shall “provide total federal awards expended for each individual program and the CFDA number.”

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-39 (continued)

Cause:

DLLR did not reconcile revenues and expenditures reported by CFDA number on the Federal Periodic Reports, R*STARS and Schedule G.

DLLR did not review the Schedule G to ensure that it had recorded the proper amounts in the proper CFDA No.'s, and has still not completely allocated CFDA No. 17.255 to the CFDA No.'s listed above.

Effect:

Because a reconciliation was not performed, DLLR procedures to ensure that the expenditures reported on the State's Schedule of Expenditures of Federal Awards for the fiscal year ended June 30, 2004 for CFDA No. 17.258, CFDA No. 17.259, and CFDA No. 17.260 are not adequate. Also, DLLR procedures to ensure revenues were properly reported on the above reports are not adequate.

We were unable to determine if the final Schedule G, which is the source of the Schedule of Expenditures of Federal Awards, reported expenditures correctly for CFDA No.'s 17.255, 17.258, 17.259, and 17.260. Accordingly, we are unable to determine questioned costs.

Recommendation:

For each fiscal year, DLLR should reconcile fiscal year revenues and expenditures reported by CFDA No. on the federal periodic reports to R*STARS and Schedule G.

We recommend that a supervisor review the amounts recorded in Schedule G to ensure that the amounts are recorded in the proper CFDA No.'s on the Schedule of Expenditures of Federal Awards.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-39 (continued)

Auditee Response and Corrective Action Plan:

The agency took appropriate action completing the reconciliation prior to the submission of the Schedule of Expenditures of Federal Awards. The Chief of General Accounting will do interim reviews of Schedule G balances. This is in addition to the annual review and reconciliation of Schedule G and R*STARS.

Auditor's Conclusion:

While the agency has taken steps to correct the Schedule of Expenditures of Federal Awards, and the Schedule of Expenditures of Federal Awards is now materially correct, there still remains the control weakness that caused the incorrect preparation of the Schedule G. The agency materially corrected the Schedule G and thus the Schedule of Expenditures of Federal Awards, however, our original finding as stated above with respect to the control weaknesses remains the same.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-40

State Treasurer’s Office

Maryland State Department of Education (MSDE)

CFDA No. 10.555 – National School Lunch Program – Child Nutrition Cluster

Inadequate internal controls exist over cash management process.

Condition:

We noted that 6 of 15 federal cash drawdown transactions selected for testing out of a population of 30 cash drawdowns occurring during the year were not executed in accordance with the Cash Management Improvement Act Agreement (CMIA). We noted that the federal cash drawdowns were anywhere from 2 days early to 3 days late. Additionally, we noted that interest was not properly calculated in 2 out of 6 transactions tested that resulted in interest.

Transaction Date on Transmittal Log	Date Federal Funds Received	Date Federal Funds Should Have Been Received	Days (Early)/ Late	MSDE Calculated Interest	Auditor Calculated Actual Interest	Net Result of Interest Calculation– State Federal Receivable or (Liability)
12/17/03	12/24/03	12/26/03	(2)	\$ –	\$ (8.50)	\$ (8.50)
01/14/04	01/22/04	01/23/04	(1)	(195.53)	(195.53)	–
03/15/04	03/25/04	03/24/04	1	424.55	212.27	212.28
03/17/04	03/29/04	03/26/04	3	16.84	16.84	–
04/21/04	04/29/04	04/30/04	(1)	(276.78)	(276.78)	–
07/22/03	07/30/03	07/31/03	(1)	(156.88)	(156.88)	–

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-40 (continued)

Criteria:

The Secretary of the Treasury, United States Department of the Treasury and the State Treasurer of Maryland, in order to implement Section 5 of the Cash Management Improvement Act of 1990, as amended, entered into an agreement to request federal funds in a specific manner. MSDE Child Nutrition Cluster's National School Lunch Program shall follow the State's "Average Clearance – Vendor (actual Expenditures)" technique to request federal funding.

31 CFR 205 dictates the methodology of when and how to calculate an interest liability or receivable, "A Federal interest liability or a State interest receivable may accrue based on the day the state pays out of its own funds for program purposes to the day federal funds are credited to a State account."

Cause:

We noted that the transmittal date on the original documentation was not always used when determining the actual date that federal funds should be drawn. We noted that the spreadsheet that is used to calculate the interest receivable or payable was not properly prepared to make the actual calculation of an interest receivable or payable. The State Treasury Department furnished this spreadsheet to MSDE.

Effect:

MSDE is not drawing federal funds down from the federal government in accordance with the CMIA agreement. Additionally, the interest receivable/payable is not properly calculated and reported to the federal government.

Recommendation:

We recommend that MSDE and the State Treasury Department review their current procedures over cash management. These procedures should be compared to the requirements of the CMIA agreement and MSDE's current procedures should be modified to ensure that MSDE and the State Treasury Department complies with the CMIA agreement.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-40 (continued)

Auditee Response and Corrective Action Plan:

MSDE concurs with this finding. As of January 17, 2005, the Division of Business Services has processed Child Nutrition Cluster draw downs within the nine day clearance pattern specified by the Cash Management Act Agreement (CMIA). Interpretation of the nine day clearance pattern was corroborated between Maryland and Federal Treasury Organizations by January 14, 2005. In addition, MSDE prepares preliminary interest calculations using the latest spreadsheet provided by Maryland Treasury. Completed spreadsheets are forwarded to Maryland Treasury for review and subsequent submission to Federal Treasury.

State Treasurer's Office (STO) will adjust the fiscal year 2005 CMIA annual report that is due to Federal Treasury on December 31, 2005 to reflect any adjustments to interest liability or receivable related to this finding. STO and Maryland State Department of Education (MSDE) will furthermore review; the current procedures at MSDE and STO Banking services related to the request for federal funds, the spreadsheet that is used to calculate interest and the transmittal dates on the original documentation to make sure that they are in accordance with the CMIA agreement.

Auditor's Conclusion:

Based on the above, the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-41

**Maryland State Department of Education (MSDE)
CFDA No. 84.367 – Improving Teacher Quality State Grants**

The Maryland State Department of Education did not maintain supporting documentation to verify that “during the award” monitoring was conducted in accordance with OMB Circular A-133.

Condition:

MSDE officials stated that monthly superintendent meetings were conducted, and briefings as well as on-site visits were held throughout the fiscal year. However, there was no documentation to support the monitoring procedures actually performed or the results of such procedures. Therefore, we could not verify that these “during the award” monitoring procedures actually occurred.

Criteria:

OMB Circular A-133 .400(d)(3) states that “Pass-through entity responsibilities: A pass-through entity shall perform the following for federal awards it makes: 1) Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.”

Cause:

Supporting documentation of “during the award” monitoring was not available.

Effect:

We were unable to verify management’s assertion that “during the award” monitoring occurred.

Recommendation:

We recommend that MSDE review their current procedures over “during the award” subrecipient monitoring and ensure procedures are adequate to determine subrecipient compliance with program requirements. In addition, monitoring procedures should be formally documented and appropriate follow-up performed on any deficiencies identified to ensure appropriate corrective action.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-41 (continued)

Auditee Response and Corrective Action Plan:

MSDE concurs with this finding.

- Effective March 1, 2005, the Assistant State Superintendent for Instruction has identified appropriate Division of Instruction Staff (the Elementary Coordinator of Professional Development and the Policy Coordinator of Professional Development) who will be responsible for monitoring subrecipient compliance.
- By April 1, 2005, the Assistant State Superintendent for Instruction and identified Division of Instruction Staff will have met with Division of the Business Services Staff to strengthen procedures for “during the award” monitoring that is adequate to determine subrecipient compliance with program standards.
- By May 1, 2005, the Assistant State Superintendent for Instruction will strengthen specific procedures for:
 - “During the award” monitoring that is adequate to determine subrecipient compliance with program standards.
 - Documenting and providing appropriate follow-up on any deficiencies identified from “during the award” monitoring.
- By June 1, 2005, identified Division of Instruction Staff will have implemented monitoring procedures, including documenting and appropriate follow-up procedures, beginning with the Master Plan process followed by ongoing monitoring throughout the grant award period.

Auditor’s Conclusion:

Based on the above, the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-42

Maryland State Department of Education (MSDE) CFDA No. 84.367 – Improving Teacher Quality State Grants

MSDE should comply with eligibility requirement calculations on a consistent basis.

Condition:

Local Educational Agencies (LEA) apply to the MSDE for program funds. The allocation of these amounts is based on a hold harmless amount based on 2001 amounts provided under the Eisenhower Professional Development and Class-Size Reduction program. The excess of funds over these amounts are allocated based on an 80/20 split. The 80% Children in Poverty fiscal year June 30, 2004 enrollment data used for the allocation was 2001 enrollment data which was also the same amount used for the prior year's allocation and the 20% enrollment of 5-17 year olds fiscal year June 30, 2004 enrollment data used for the allocation was an updated 2002 enrollment data.

Criteria:

Section 2121 (a) of the ESEA (20 USC 6621 (a)) states, "20% of the excess funds must be distributed to the LEAs based on the relative population of children ages 5 through 17, as determined by the Secretary and 80% of the excess funds must be distributed to LEAs based on the relative numbers of individuals ages 5 through 17 from families with incomes below the poverty line, as determined by the Secretary."

Cause:

MSDE experienced pressure from the LEAs to perform their allocations and at the time the allocations were prepared the updated enrollment data for 2002 was not available for the 80% calculation of Children in Poverty. The staff used the 2001 data from the prior year calculation and just carried it forward, but did use the updated 2002 data for the 20% calculation.

Effect:

The allocation for fiscal year 2004 is calculated using inconsistent data and the allocation of the 80% was calculated using prior year amounts, therefore, the amounts did not change.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-42 (continued)

Recommendation:

We recommend that MSDE implement procedures to ensure the calculation of the 80/20 split is done using consistent data in order to calculate an accurate allocation for the LEAs.

Auditee Response and Corrective Action Plan:

MSDE concurs with this finding. Improving Teacher Quality was a new program in fiscal year 2003 and only the regulations without supporting guidance were available when the calculation for the Local Education Agencies (LEAs) allocation was done for fiscal year 2003. Based on these regulations, the Division of Business Services (DBS) utilized fiscal year 2001 data (for both State and federal source data) in calculating the fiscal year 2001 LEAs allocations.

Based upon receipt and review of Non-Regulatory guidance, MSDE-DBS changed the process of calculating the LEAs allocations in fiscal year 2004. For fiscal year 2004 and future years, prior year's fiscal data is used to calculate the 20% portion of the LEAs allocation since final State of Maryland data is routinely received in time to perform the calculations. Two year's prior fiscal data is used to calculate the 80% portion of the LEAs allocation since the final 'Children in Poverty' enrollment data used in this calculation is supplied by the federal government late in the fiscal year. A conflict exists between the receipt of prior fiscal year's data from the federal government and the time when the LEAs allocation data has to be released. The 'No Child Left Behind Act' (H.R. 1-204(A)) provides that the Secretary (MSDE) has the authority to determine the most recent satisfactory to be used in the determination of the LEAs allocation. To summarize, MSDE-DBS, as Secretary, has determined that the 'most recent satisfactory data' for the calculation of the 80% is the second prior fiscal year's data. It will continue to utilize the prior fiscal years for development of 20% portion. Consequently, the issue noted in this finding only occurred during the development of fiscal year 2004 LEAs allocation and the noted issue will not occur in the development of future fiscal years' LEAs allocation.

Auditor's Conclusion:

Based on the above, the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-43

Maryland State Department of Education (MSDE) CFDA No. 84.367 – Improving Teacher Quality State Grants

Internal control weakness over cash management process.

Condition:

Subrecipients request reimbursements for program expenditures monthly and upon payout, MSDE is required to drawdown federal funds in a timely manner. We reviewed 50 subrecipient requests amounting to \$28,761,019.17, which were submitted for reimbursement between July 1, 2003 and June 30, 2004. The subrecipients were reimbursed timely, however, MSDE did not start to draw down federal funds to cover these expenditures until November 17, 2003.

Criteria:

31 CFR Part 205.33 (subpart B) states, “The timing and amount of funds transfers must be as close as is administratively feasible to a State’s actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. States should exercise sound cash management in funds transfers to subgrantees in accordance with OMB Circular A-102.”

OMB Circular A-133 Subpart C Section .300 (b) states, “The auditee shall maintain internal controls over Federal programs that provide reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.”

Cause:

MSDE experienced staff turnover within the Accounting Department during fiscal year 2003, which caused an untimely system implementation of this program’s drawing down of federal funds and cash management.

Effect:

By not requesting reimbursements of federal funds timely, MSDE is creating undue burden on the State’s cash position.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-43 (continued)

Recommendation:

We recommend that MSDE implement procedures to ensure request for reimbursement of federal funds is completed on a timely basis.

Auditee Response and Corrective Action Plan:

MSDE concurs with this finding. The auditors determined and documented during their fieldwork that “the problem was corrected after November 17, 2003 and the State has been drawing down funds on a monthly basis from that period until the end of our audit period.” The auditors noted that this finding was corrected as of November 17, 2003.

Auditor’s Conclusion:

Based on the above, the finding remains as stated.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-44

**Department of Human Resources (DHR)
CFDA No. 93.563 – Child Support Enforcement**

Inadequate internal controls over child support inter and intra State cases.

Condition:

When a Child Support Enforcement Interstate Case is initiated by the State of Maryland (Maryland), Maryland has 10 days to notify the responding State of any change or deviation in the case. When a Child Support Enforcement Interstate Case is initiated by another State and Maryland is responding, Maryland has 10 days to review and notify the initiating State of any changes or deviations in the case. During our review, we noted that in 1 out of 20 initiating cases or 5%, the responding State was not notified within the proper time frame of a change in the case. In 2 out of 20 responding cases or 10%, the initiating State was not notified of any change or deviation in the case within the proper time frame.

The Child Support Enforcement division is obligated to determine whether the non-custodial parent has a health insurance policy and if so must obtain the policy name, number, and name(s) of the person(s) covered. During our review of the 40 interstate cases, we noted that in the 5 cases in which the non-custodial parent was mandated by the court order to provide medical coverage, there was no insurance information obtained, nor any documentation or reasoning for not obtaining the information in the case files.

When a case is initially put in the system, the case is coded as a initiating or responding case which specifies which department will handle the case and the rules that must be followed in resolving the case. During our review, we noted that 1 out of the 20 interstate cases or 5% was coded as an initiating case and should have been coded as a responding case. The wrong rules were followed which caused the case to be out of compliance.

When a delinquency is acknowledged, the Child Support Enforcement division has 30 days to perform some action of enforcement and it must be documented. During our review we noted that 3 out of the 40 Interstate cases or 8% performed no enforcement action after a delinquency was acknowledged. Maryland assumed the responding State was sending payments directly to the custodial parent and did not follow-up.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-44 (continued)

In 1 out of 20 initiating cases or 5%, child enforcement activity continued on the part of DHR to enforce the non-custodial parent to pay child support for four years after the child was privately adopted. During this time, Maryland had no contact with the custodial parent or the non-custodial parent.

Criteria:

45 CFR 303.7 (b) (5) states, “The initiating State IV-D agency must notify the IV-D agency in the responding State within 10 working days of receipt of new information on a case by submitting an updated form and any necessary additional documentation.”

45 CFR 303.30 (a) (7) states, “The IV-D agency shall obtain the following information on the case: whether the non-custodial parent has a health insurance policy and, if so, the policy name(s) and number(s) and name(s) of person(s) covered.”

45 CFR 303.2 (3) (b) states, “For all cases referred to the IV-D agency or applying for services under Sec 303.33 of this chapter, the IV-D agency must, within no more than 20 calendar days of receipt of referral of a case or filing of an application for services under Sec. 302.33, open a case by establishing a case record and, based on an assessment of the case to determine necessary action.”

45 CFR 303.6 (c) (2) states, “Taking any appropriate enforcement action (except income withholding and Federal and State income tax refund offset) unless service of process is necessary, within no more than 30 calendar days of identifying a delinquency or other support-related non-compliance with the order or the location of the noncustodial parent, whichever occurs later.”

45 CFR 303.6 states, “For all cases referred to the IV-D agency or applying for services under 45 CFR section 302.33 in which the obligation to support and the amount of the obligation have been established, the IV-D agency must maintain and use an effective system for:

- (a) Monitoring compliance with the support obligation;”

Cause:

The inadequate internal controls over the various child support cases caused DHR to be out of compliance with several of the Federal guidelines and, at times, resulted in misuse of resources.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-44 (continued)

Effect:

DHR is unable to meet and follow Federal guidelines in child support cases and are non-compliant with certain areas of the Federal guidelines.

Recommendations:

We recommend that DHR put a process in place in which DHR ensures all staff members are aware of the Federal guidelines and put tracking mechanisms in place to ensure that the guidelines are being met. DHR should develop and document internal controls that a supervisor review occurs over the processing of the Child Support interstate and intrastate cases to ensure compliance with Federal guidelines. Management should supervise and review to ensure that all areas are in compliance. The amount of questioned costs are unknown.

Auditee Response and Corrective Action Plan:

Inadequate notification of changes in cases—CSEA disagrees with the finding. CSEA is in substantial compliance with the federal requirement. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) mandated States to develop a self assessment process to assess how well federal requirements are being met in providing child support services. Also, PRWORA established performance standard at the 75% compliance rate for Interstate cases. To comply with performance standards for Interstate Services, federal regulation at 45 CFR 308.2(g), mandated States to have and use procedures required under this paragraph in at least 75% of the cases reviewed. (1) Initiating interstate cases; (iii) upon receipt of new information within 10 working days pursuant to 303.7(b)(6) of this chapter. (2) Responding instate cases: (v) within 10 working days of receipt of new information notifying the initiating state of that new information pursuant to 303.7(c)(9) of this chapter.

In view of the 75% Standard, the State of Maryland met federal requirements. CSEA has consistently met the Federal Performance Standard in Interstate cases for the past three Federal Fiscal Year Reports as documented in the table below:

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-44 (continued)

Program Compliance for Interstate Cases: Standard Compliance Rate = 75%

	Number of Cases Reviewed	Percent Within Compliance	Percent Out of Compliance
FFY 2003	379	81%	18%
FFY 2002	346	95%	5%
FFY 2001	283	97%	3%

Inadequate insurance information—CSEA disagrees with the finding. CSEA is in substantial compliance with the federal requirement. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) mandated States to develop a self assessment process to assess how well federal requirements are being met in providing child support services. Also, PRWORA established performance standard at the 75% compliance rate for Interstate cases. To comply with performance standards for Securing and Enforcing Medical Support Orders, federal regulation at 45 CFR 308.2(e), mandated States to have and use procedures required under this paragraph in at least 75% of the cases reviewed. This includes: (1) measuring whether the requirements were met for a medical support provision in all new orders; (2) taking steps to determine whether reasonable health insurance is available when health insurance is included in the order; (3) informing the Medicaid agency when coverage was obtained; (4) determining whether the custodial parent was informed of policy information when coverage has been obtained; (5) determining whether employers are informing the State of lapses in coverage; and determining whether the State transferred notice of the health care provision to a new employer when a noncustodial parent changed employment. CSEA has consistently met the Federal Performance Standard in Interstate cases for the past two Federal Fiscal Year Reports as documented in the table below:

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-44 (continued)

Program Compliance for Securing and Enforcing Medical Support Orders: Standard Compliance Rate = 75%

	Number of Cases Reviewed	Percent Within Compliance	Percent Out of Compliance
FFY 2003	382	87%	13%
FFY 2002	346	90%	10%
FFY 2001	751	69%	31%

Section 308.2(g) **required program compliance** *Interstate services* that State must have and use procedures required under this paragraph in at least 75% of the cases reviewed. (1) Initiating interstate cases: (iii) upon receipt of new information within 10 working days pursuant to 303.7(b)(6) of this chapter. (2) Responding interstate cases: (v) within 10 working days of receipt of new information notifying the Initiating State of that new information pursuant to 303.7(c)(9) of this chapter. In view of the 75% Standard, the State of Maryland met the required compliance standard.

CSEA has consistently met the Federal Performance Standard in Interstate cases for the past three Federal Fiscal Year Reports as documented in the table below:

Program Compliance for Interstate: Standard Compliance Rate = 75%

	Number of Cases Reviewed	Percent Within Compliance	Percent Out of Compliance
FFY 2003	379	81%	18%
FFY 2002	346	95%	5%
FFY 2001	283	97%	3%

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-44 (continued)

Improper coding of cases—CSEA disagrees with the finding. CSEA is in substantial compliance with the federal requirement. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) mandated States to develop a self assessment process to assess how well federal requirements are being met in providing child support services. Also, PRWORA established performance standard at the 75% compliance rate for interstate cases. To comply with performance standards for Interstate Services, federal regulation at 45 CFR 308.2(g), mandated States to have and use procedures required under this paragraph in at least 75% of the cases reviewed. (1) Initiating interstate cases: (iii) upon receipt of new information within 10 working days pursuant to 303.7(b)(6) of this chapter. (2) Responding instate cases: (v) within 10 working days of receipt of new information notifying the initiating State of that new information pursuant to 303.7(c)(9) of this chapter. In view of the 75% Standard, the State of Maryland has met the required compliance standard. CSEA has consistently met the Federal Performance Standard in Interstate cases for the past three Federal Fiscal Year Reports as documented in the table below:

Program Compliance for Interstate: Standard Compliance Rate = 75%

	Number of Cases Reviewed	Percent Within Compliance	Percent Out of Compliance
FFY 2003	379	81%	18%
FFY 2002	346	95%	5%
FFY 2001	283	97%	3%

Inadequate enforcement action taken—CSEA disagrees with the finding. CSEA is in substantial compliance with the federal requirement. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) mandated States to develop a self assessment process to assess how well federal requirements are being met in providing child support services. Also, PRWORA established performance standard at the 75% compliance rate for Enforcement of Child Support Orders. To comply with performance standards for Interstate Services, federal regulation at 45 CFR 308.2(c), mandated States to have and use procedures required under this paragraph in at least 75% of the cases reviewed. If income withholding was appropriate, a case would meet the review requirement if it was received during the review

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-44 (continued)

period, notwithstanding mandatory timeframes. A review of the enforcement of orders would include all cases in which an ongoing income withholding is in place, as well as those cases in which new or repeated enforcement actions were required during the review period. CSEA has consistently met the Federal Performance Standard in Enforcement of Orders in both Interstate and intrastate cases for the past three Federal Fiscal Year Reports as documented in the table below:

Program Compliance for Enforcement of Orders: Standard Compliance Rate = 75%

	Number of Cases Reviewed	Percent Within Compliance	Percent Out of Compliance
FFY 2003	382	81%	19%
FFY 2002	349	94%	6%
FFY 2001	749	93%	7%

Section 308.2(g) **required program compliance (g) Interstate services** that State must have and use procedures required under this paragraph in at least 75% of the cases reviewed. (1) Initiating interstate cases: (iii) upon receipt of new information within 10 working days pursuant to 303.7(b)(6) of this chapter. (2) Responding instate cases: (v) within 10 working days of receipt of new information notifying the Initiating State of that new information pursuant to 303.7(c)(9) of this chapter. In view of the 75% Standard, the State of Maryland met the required compliance standard.

CSEA has also consistently met the Federal Performance Standard in Interstate cases for the past three Federal Fiscal Year Reports as documented in the table below:

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2004-44 (continued)

Program Compliance for Interstate: Standard Compliance Rate = 75%

	Number of Cases Reviewed	Percent Within Compliance	Percent Out of Compliance
FFY 2003	379	81%	18%
FFY 2002	346	95%	5%
FFY 2001	283	97%	3%

Improper monitoring—CSEA disagrees with the findings. CSEA has procedures and policies in place that are used by all staff, both Central and local in processing Interstate cases. We also establish the federally mandated Self Assessment Review process to monitor performance in the eight categories established by Federal regulation. The cases that the auditors found out of compliance were not submitted for CSEA re-review and comment. Therefore, CSEA is unable to assess the accuracy of the auditor’s findings in those cases. Even so, the numbers of errors identified by the auditors were far below the threshold for CSEA to be in compliance with federal case processing standards. In addition, CSEA will continue to strive for high compliance with federal case processing standards.

Auditor’s Conclusion:

The finding remains as DHR still needs to improve the controls they have in place to ensure Federal funds are being spent in accordance with established guidelines and that resources are being used as effectively and efficiently as possible. Especially in the area of health insurance coverage; out of the 40 cases we reviewed, 5 mandated the noncustodial parent to provide the coverage and there was no evidence of DHR trying to enforce this mandate on either of the 5 cases.

State of Maryland

Summary Schedule of Prior Audit Findings

As of March 14, 2005

Single Audit Findings for Fiscal Year Ended June 30, 2003

Department

Program

State Treasurer's Office Did Not Effectively Perform Cash Reconciliations for the Fiscal Year Ended June 30, 2003 in a Timely Manner

CFDA Number

Finding Number

2003-1

Comment

Unresolved by the Federal Government – Original Response and Corrective Action Plan: The daily processing of banking transactions has been restructured to include proper financial and operational controls. As the auditors and we agreed, a new reconciliation format has been developed, and is currently in use, that conforms to industry practice and captures detailed transaction activity. A large number of specific steps have been taken in order to implement the restructured reconciliation process. In addition to, and supporting the restructuring of the reconciliation report and format, the steps taken include:

- We have determined that a daily reconciliation is the only way to accurately monitor the State's banking activity, providing the ability to quickly identify and respond to any processing irregularities. We will perform a daily reconciliation.
- We developed and implemented an ACH tracking schedule to ensure properly recorded activity from the bank to R*STARS. This process uncovered approximately \$8 million in tax direct debits unposted from June 2003.
- We developed and implemented a manual wire activity reconciliation, which captures daily manual wire activity from the bank statement, records processed and unprocessed transactions and updates the unprocessed outstanding balance used in the bank reconciliation.
- We developed and implemented a system to track all bank activity, comparing our current method of receiving bank transaction data to the BAI (electronic bank statement) file. The BAI file is the format that the new automated system will use and that most financial offices use. We have discovered that this use of two file formats leads to timing differences between the information we receive from the bank and when the cash actually affects our account balances, and is critical to accurate reconciliation.
- We developed an analysis of the BAI file to break down components and prepare for conversion to TrinTech's automated reconciliation system.
- We have developed and now use a detailed spreadsheet to accurately track timing of bank adjustments charged back to agencies-timing issue important to accurate reconciliation.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2003 (continued)

Finding Number 2003-1 (continued)

- We have begun the re-examination of the unmatched book and bank deposit transactions in the June-August 2003 period in order to help identify the unreconciled balance. We will then resolve subsequent disparities.
- We have been working closely with State agencies, particularly the Comptroller's Office, to develop a reconciliation process that is accurate and reliable. The process requires close inter-agency coordination.

We have begun testing the deposit match process using TrinTech, the new automated reconciliation and processing system. As discussed at our legislative budget hearings, we believe that it might be prudent to postpone the implementation of the new system until after the beginning of the next fiscal year, in order to make the agency close-out procedures clear and uncomplicated.

It should be noted that throughout the restructuring process, we are continuing to define and document previously unknown processing issues that affect the reconciliation. The volume of these aberrations, unfortunately, has slowed our progress toward isolating the final balance discrepancy, but it has also enhanced the new reconciliation process and given us assurance that the final complete reconciliation will be comprehensive and accurate. We strongly believe our achievements will facilitate the preparation of accurate, complete, and timely financial statements.

Auditee Updated Response: The above plan has been implemented.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2003 (continued)

<i>Department</i>	Maryland State Department of Education (MSDE)
<i>Program</i>	Improving Teacher Quality State Grants
<i>CFDA Number</i>	84.367
<i>Finding Number</i>	2003-2
<i>Comment</i>	Unresolved by the Federal Government – Auditee Updated Corrective Action Plan: The corrective action reported in our last update is still in force. Specifically, the Division of Business Services (DBS) has implemented the following corrective action plan: <ul style="list-style-type: none">• Effective August 1, 2003, the Head of the General Accounting Section has run a report from the EGAPS system which reflects all executed Department of Education grants. This report will be obtained on a monthly basis and any new grants will be added to the query in R*STARS which provides eligible drawdown amounts.• Effective April 1, 2004, supervisory reviews are performed by the Chief of the Accounting Branch prior to requesting any drawdown of federal funds. In the absence of this employee, the Chief of Expenditures will perform this task.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2003 (continued)

Department	State Treasurer's Office
Program	National School Lunch Program (NSLP); Child and Adult Care Food Program; State Administrative Matching Grants for Food Stamp Program; Unemployment Insurance; Federal Transit: Capital Investment Grants; Federal Transit: Formula Grants; Title I Grants to Local Education Agencies; Special Education: Grants to States; Rehabilitation Services: Vocational Rehabilitation Grants to States; Temporary Assistance to Needy Families; Child Support Enforcement; Low-Income Home Energy Assistance (LIHEAP); Foster Care: Title IV-E; State Children's Insurance Program (SCHIP); Medical Assistance Program (Medicaid); and Block Grants for Prevention and Treatment of Substance Abuse
CFDA Number	10.555, 10.558, 10.561, 17.225, 20.500, 20.507, 84.010, 84.027, 84.126, 93.558, 93.563, 93.568, 93.658, 93.767, 93.778, and 93.959
Finding Number	2003-3
Comment	<p>Unresolved by the Federal Government – Auditee Updated Corrective Action Plan: On March 4, 2004, the office of the State Treasurer completed development and recertification related to Average Clearance Vendor and Average Clearance Payroll check clearance patterns. We have replaced Average Clearance Vendor (9 Day Pattern) and Average Clearance Payroll (1 Day Pattern) with Dollar Weighted Clearance Day Vendor (8 Day Pattern) and Dollar Weighted Clearance Day Payroll (1 Day Pattern) accordingly. We developed the patterns in accordance with a method approved by Financial Management Service (FMS), U.S. Department of the Treasury, including auditable calculations and maintenance of all supporting documentation.</p> <p>The Office will work with the appropriate State agencies to start using the new check clearance patterns with transactions beginning on March 28, 2005.</p> <p>The State executed a multi-year Treasury-State Agreement in October 2004 that runs through June 30, 2009. Amendments to the Treasury-State Agreement resulting from the recertification procedures will be made on a timely basis.</p>

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2003 (continued)

Department	Department of Human Resources (DHR)
Program	Adoption Assistance and Temporary Assistance for Needy Families
CFDA Number	93.659 and 93.558
Finding Number	2003-4
Comment	<p>Unresolved by the Federal Government – Auditee Updated Corrective Action Plan: The U.S. Department of Health and Human Services (HHS) accepted the Department’s Corrective Compliance Plan in July 2004. DHR has completed almost all of the milestones necessary to ensure compliance with the plan. The only remaining item is the completion of training with the state’s fiscal and program staff, which is scheduled for February 22, 2005.</p> <ol style="list-style-type: none">1. The Department will make every effort to fill financial management vacancies by September 30, 2004. <i>The Department’s Director of Grants Management started on November 22, 2004.</i>2. The Department must engage in a complete review of its fiscal year 2002 and fiscal year 2003 accounting records and make any required adjustments to the TANF grants. <i>Grants Management staff worked with the Region III office to review the records and make the required adjustments.</i>3. HHS staff will train the state’s fiscal and program staff in TANF rules and policies. <i>The first training session is scheduled for February 22, 2005. This will complete the corrective compliance process.</i>4. State program staff will provide an overview of the TANF state plan to all fiscal staff that has any involvement in TANF or TANF MOE funds. <i>In addition to providing information on the current TANF state plan, program staff is working with fiscal staff to revise the plan.</i>5. Copies of any budget amendments submitted in accordance with the Maryland General Assembly’s requirements regarding TANF transfers, increases or decreases will be maintained for possible audit by ACF staff during the corrective action compliance term and beyond that term in accordance with previously established record retention schedules. <i>The Department has maintained all records.</i>6. Region III approvals of any TANF claim for expenditures normally claimed to another source of funding. <i>The Department has sought approval from Region III and will continue to do so.</i>

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2003 (continued)

<i>Department</i>	Department of Human Resources (DHR)
<i>Program</i>	Adoption Assistance Program
<i>CFDA Number</i>	93.659
<i>Finding Number</i>	2003-5
<i>Comment</i>	Unresolved by the Federal Government – Auditee Updated Corrective Action Plan: The Department’s approved Cost Allocation Plan funds caseworkers administrative costs using a Time Study to determine benefiting programs. The Time Study results identify adoption activity. DHR considered these expenditures to be Foster Care administration in the past. However, the Department began reporting these costs to the Adoption Assistance program in the quarter ending September 30, 2004.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2003 (continued)

<i>Department</i>	Department of Human Resources (DHR)
<i>Program</i>	Adoption Assistance Program
<i>CFDA Number</i>	93.659
<i>Finding Number</i>	2003-6
<i>Comment</i>	Unresolved by the Federal Government – Auditee Updated Corrective Action Plan: The Department properly adjusted the Federal Financial Assistance reports to correctly reflect expenditures on a cash basis. In addition, the Director of Grants Management will review the reports to ensure expenditures are on a cash basis for both Foster Care and Adoption Assistance.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2003 (continued)

<i>Department</i>	Department of Health and Mental Hygiene (DHMH)
<i>Program</i>	Medicaid Cluster
<i>CFDA Number</i>	93.775, 93.777 and 93.778
<i>Finding Number</i>	2003-7
<i>Comment</i>	Unresolved by the Federal Government – Auditee Updated Corrective Action Plan: The Executive Director of Family Investment Administration (FIA), Department of Human Resources was sent a letter from the Executive Director of the Office of Operations, Eligibility & Pharmacy, DHMH, on August 25, 2004. The letter requested corrective action plans to address the audit findings of Ernst & Young. The FIA responded to the Office of Operations, Eligibility & Pharmacy on October 4, 2004 with a corrective action plan that identified the actions taken to address the findings and the contact person in charge of the action. DHMH has identified these as technical errors committed by the Department of Human Resources. Payments for services rendered to an ineligible recipient based on a technical error is not recoverable, therefore a referral to the Division of Recovery and Finance is not warranted.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2003 (continued)

<i>Department</i>	Department of Health and Mental Hygiene (DHMH)
<i>Program</i>	Medicaid Cluster
<i>CFDA Number</i>	93.775, 93.777 and 93.778
<i>Finding Number</i>	2003-8
<i>Comment</i>	Unresolved by the Federal Government – Auditee Updated Response and Corrective Action Plan: All drawdown requests to General Accounting have been reviewed and signed by the Chief of Budgeting/Accounting/Revenue Division. Drawdown requests can be reviewed in DHMH General Accounting Division.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2003 (continued)

<i>Department</i>	Department of Health and Mental Hygiene (DHMH)
<i>Program</i>	Medicaid Cluster
<i>CFDA Number</i>	93.775, 93.777 and 93.778
<i>Finding Number</i>	2003-9
<i>Comment</i>	Unresolved by the Federal Government – Auditee Updated Response and Corrective Action Plan: We feel that our last year responses to the finding completely and accurately responded to the issues raised by the auditors. In the interim, there have been four quarterly reviews of our fiscal year 2004 Centers for Medicare and Medicaid Services (CMS) 64 submissions by the CMS Region III, and CMS has expressed none of the concerns raised by the auditors with regard to our data presentation. We want to supply the data in the manner and format required by CMS, and as far as we understand, we are doing that. If the auditors feel that there are still issues to be discussed, we suggest either a meeting or conference call between the auditors, CMS Region III, and ourselves. We are ready to work with CMS to achieve any data presentation changes that they require.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2003 (continued)

<i>Department</i>	Department of Health and Mental Hygiene (DHMH)
<i>Program</i>	Medicaid Cluster
<i>CFDA Number</i>	93.775, 93.777 and 93.778
<i>Finding Number</i>	2003-10
<i>Comment</i>	<p>Unresolved by the Federal Government – Original Response and Corrective Action Plan: The Department of Health and Mental Hygiene agrees with the audit findings. The Department has requested documentation related to fiscal year 2004 clearance pattern from the Comptroller’s Office as well as the Treasurer’s Office. The Department will request this information annually and maintain it on site for audit purposes.</p> <p>Auditee Updated Response: The Department has received clearance pattern information from the Comptroller’s Office and is awaiting a response from the Treasurer’s Office. The Department will request this information annually and maintain it on site for audit purposes.</p>

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2003 (continued)

Department Department of Health and Mental Hygiene (DHMH)
Program Medicaid Cluster
CFDA Number 93.775, 93.777 and 93.778
Finding Number 2003-11
Comment **Unresolved by the Federal Government – Auditee Updated Response and Corrective Action Plan:** An error existed in the automated interface between Client Automated Resource Eligibility System (CARES) and Medicaid Management Information System (MMIS) which prevented certain cancel transactions from being properly communicated. This error has been corrected. MMIS produces error reports which are reviewed and resolved by staff daily. The monthly reconciliation report has been modified to ensure that the reports capture all data which identify cases closed on CARES but active on MMIS. These reconciliation reports are reviewed and resolved each month. DHMH will identify the cost of any improper Medical Assistance payments and make appropriate adjustments with the U.S. Department of Health and Human Services.

Corrective action plan is in place. A system review was conducted on the 12,000 cases closed in February 2003, and it was discovered that only approximately 2,700 cases were reopened. The cases were reopened due to the recipient reapplying and determined eligible for Medical Assistance. There were no improper Medical Assistance payments made and therefore an adjustment to the U.S. Department of Health and Human Services is not warranted.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2003 (continued)

<i>Department</i>	Department of Health and Mental Hygiene (DHMH)
<i>Program</i>	Medicaid Cluster
<i>CFDA Number</i>	93.775, 93.777 and 93.778
<i>Finding Number</i>	2003-12
<i>Comment</i>	Unresolved by the Federal Government – Auditee Updated Response and Corrective Action Plan: In August 2003, an independent accounting firm completed the Medicaid Management Information Systems – II (MMIS-II) Risk Assessment Report and after review, it has been determined that the Office of Operations, Eligibility and Pharmacy (OOEP) has already made necessary adjustments to be in compliance with that report. A change has been made in the way the Administration handles its network passwords. The Administration now uses passwords 8 characters in length including a mix of numeric and alpha characters and the State’s data processing center has strengthened its own security and access including more frequent updates and the requirement for mixing numeric and alpha characters.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2003 (continued)

Department Maryland State Department of Education Department (MSDE)
Program Child Nutrition Cluster
CFDA Number 10.553, 10.555, 10.556 and 10.559
Finding Number 2003-13
Comment **Unresolved by the Federal Government – Original Response and Corrective Action Plan:** MSDE concurs with this finding.

MSDE will draw down funds for this program in accordance with the nine-day clearance pattern specified in the CMIA agreement. Similarly, interest calculations will be calculated utilizing the nine-day clearance pattern for this program via the spreadsheet developed and provided by the State Treasurer's Office. By September 1, 2004, the Accounting Branch will review the logic contained in this spreadsheet for compliance to CMIA interest calculation requirements. Any detected logic problems will be communicated to the State Treasurer's Office for resolution.

Auditee Updated Response: The prior update to your office indicated that MSDE concurred with the finding. That concurrence was primarily based on MSDE's acceptance of E&Y's interpretation of the nine day clearance pattern associated with the drawdowns for the Child Nutrition Cluster (CNC) Grants. However, subsequent clarification on this issue was received on January 14, 2005 from Maryland Treasury regarding this clearance pattern. Specifically, the subsequent clarification disclosed that the date of the Transmittal Log should be counted as day zero in calculating the date when the funds should be deposited in the State of Maryland's bank account. Advice provided by Ernst & Young at the July 28, 2004 exit conference for MSDE's Fiscal Year 2003 Single Audit indicated that the date on the Transmittal Log should be counted as day one and E&Y based their finding on this interpretation. As of January 17, 2005, MSDE's Division of Business Services has processed CNC drawdowns within the requirements of the Cash Management Improvement Act (CMIA) Agreement.

Also, a letter disputing this finding was issued by Maryland Treasury to Ernst & Young on January 31, 2005. This letter was jointly prepared by MSDE and Maryland Treasury, and follows:

Only CFDA 10.555 is part of Treasury State Agreement. The additional 3 cited programs are not relevant.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2003 (continued)

Finding Number 2003-13 (continued)

Condition from Original Finding:

We noted 5 out of 7 federal cash drawdown transactions out of a population of cash drawdowns occurring during the year tested were not executed in accordance with the Cash Management Improvement Act Agreement (CMIA). We noted that the federal cash drawdowns were anywhere from 2 days early to 2 days late. Additionally, we noted that interest was not properly calculated in 6 out of 7 transactions tested that resulted in interest.

Transaction Date on Transmittal Log	Date Federal Funds Received	Date Federal Funds Should Have Been Received	Days (Early)/Late	MSDE Calculated Interest	Auditor Calculated Actual Interest	Net Result of Interest Calculation- State Federal Receivable or (Liability)
06/21/2002	07/01/2002	06/29/2002	2	\$ -	\$ 1,162.06	\$ 1,162.06
10/23/2002	10/30/2002	10/31/2002	(1)	(1,000.15)	(500.07)	500.08
11/21/2002	11/27/2002	11/29/2002	(2)	(1,197.71)	(1,197.71)	-
12/18/2002	12/27/2002	12/26/2002	1	-	455.17	455.17
01/21/2003	01/30/2003	01/29/2003	1	-	328.79	328.79
02/21/2003	02/28/2003	02/28/2003	-	(874.74)	-	874.74
03/21/2003	03/28/2003	03/28/2003	-	(345.54)	-	345.54

Auditee Response:

The above exhibit of 7 transactions is included in the audit finding by the E&Y auditor. In the display above, some information applied in the calculations such as; the principal amounts, the annual interest rate and how the clearance date is determined is not specifically evident. Furthermore, the auditor exhibit shows MSDE calculations that were superseded. To fill in the information and display updated MSDE calculation data, STO has prepared attachment titled "STO Interest Calculation and Comparison to MSDE Calculation." The STO prepared schedule will also facilitate accurate computation of interest liability or receivable.

The auditor declares two origins of the discovered audit finding. The first condition states "5 of 7 transactions tested were not executed in accordance with CMIA agreement." The 5 transactions listed in the "Auditor Calculated Actual Interest Column" of the auditor prepared exhibit display the transactions that E&Y finds as not being executed according to CMIA agreement. Furthermore, E&Y clarified, at the exit interview with MSDE, that MSDE interpretation of transmittal date (start date) was

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2003 (continued)

Finding Number 2003-13 (continued)

the cause for the error. The transmittal date is assumed by auditors to be day 1, but by MSDE to be day zero when determining adjusted clearance date based on a 9 day clearance pattern. STO and MSDE disagree with the first condition as explained by E&Y auditor to represent departure from TSA agreement. MSDE did use the transmittal date on the original documentation in accordance with the State of Maryland accounting procedures and TSA (Treasury State Agreement). The TSA is by and between Federal Treasury and State of Maryland Treasury. Furthermore, documentation to support MSDE transmittal dates was given to E&Y in the form of a transmittal report DAFM03R and related pages. The auditor cites the second condition as “6 out of 7 sample transactions tested did not properly calculate interest.” STO found only one of the seven to be incorrectly calculated as depicted in the STO prepared schedule. STO further reviewed all transactions related to the program for all of Fiscal year 2003 and found this one transaction to be the only miscalculation of interest liability for the program.

Criteria from Original Finding:

The Secretary of the Treasury, United States Department of the Treasury and the State Treasurer of Maryland, in order to implement Section 5 of the Cash Management Improvement Act of 1990, as amended, entered into an agreement to request federal funds in a specific manner. MSDE Child Nutrition Cluster’s National School Lunch Program shall follow the State’s “average Clearance-Vendor (actual expenditures)” technique to request federal funding. 31 CFR 205 dictates the methodology of when and how to calculate an interest liability or receivable, “A Federal interest liability or a State interest receivable may accrue based on the day the state pays out of its own funds for program purposes to the day federal funds are credited to a State account.”

Cause from Original Finding:

We noted that the transmittal date on the original documentation was not always used when determining the actual date that federal funds should be drawn. We noted that the spreadsheet that is used to calculate the interest receivable or payable was not properly prepared to make the actual calculation of an interest receivable or payable.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2003 (continued)

Finding Number 2003-13 (continued)

Auditee Response:

According to the audit finding, E&Y provides 2 reasons as cause for the audit finding. The auditor states the first cause as “the transmittal date on the original documentation was not always used by MSDE when determining the actual date that the federal funds should be drawn.” However, according to STO review, MSDE did use the transmittal date on the original documentation according to the TSA (Treasury State Agreement). Furthermore, documentation to support this was given to E&Y in the form of a transmittal report DAFM03R.

The second cause stated by auditor is “the spreadsheet that is used to calculate the interest receivable or payable was not properly prepared to make the actual calculation of an interest receivable or payable.” However, STO review, found only one MSDE miscalculation of interest and not the entire spreadsheet to contain errors. STO has determined the cause of the error for this one transaction to be from the error in calculating the clearance date when the clearance date falls on a weekend. MSDE subtracted one day instead of adding one day a Sunday clearance date. This is further explained in the TSA section 6.1.3.

Effect from Original Finding:

MSDE is not drawing federal funds down from the federal government in accordance with the CMIA agreement. Additionally, the interest receivable/payable is not properly calculated and reported to the federal government.

Auditee Response:

As determined by STO, the effect of MSDE miscalculation of interest liability for the one transaction dated March 21, 2003 resulted in understatement of State Interest Liability in the amount of \$412.77. MSDE will report the \$412.77 increase in State interest liability in the next CMIA annual report that is due on December 31, 2005.

Recommendations from Original Finding:

We recommend that MSDE review their current procedures over cash management. These procedures should be compared to the requirements of the CMIA agreement and MSDE current procedures should be modified to ensure that MSDE complies with the CMIA agreement.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2003 (continued)

Finding Number 2003-13 (continued)

Auditee Response:

STO and MSDE have reviewed the procedures over cash management as pertaining to the audit finding. The MSDE procedures are in compliance with the TSA (Treasury State Agreement). However, MSDE was provided guidance from E&Y auditor to assume transmittal date as day one on future calculations. STO does not agree with the guidance provided by E&Y auditor. During July 2004, E&Y auditors provided guidance to MSDE to calculate an 8 day clearance pattern (assuming transmittal date as day 1) until January 5, 2005. Based on STO review, it was determined that MSDE should go back to calculating a 9 day clearance pattern (assuming transmittal day as day 0). On January 5th a meeting was held between E&Y and MSDE where MSDE and E&Y communicated and agreed on the change back to the 9 day clearance pattern calculation. Since MSDE is making the correction prior to 2005 annual report due date of December 31, 2005, this change should not effect the 2005 CMIA annual report to Federal Treasury.

According to STO and MSDE, this audit finding is resolved. STO will report the \$412.77 increase in State interest liability in the next CMIA annual report that is due on December 31, 2005.

STO Interest Calculation and Comparison to MSDE Calculation

Transaction	(A) Transaction Amount	(B) Transaction Date	9 Day Pattern	(C) Federal Funds Received Date	(D) Calculated Clearance Date "When Transaction Date is Assumed to be Day 0"	(E) Adjust for Holidays and Weekends	(F) Clearance Date Should be	(G) Days (Early)/Late	(H) Interest (Liability) Receivable	(I) MSDE Calculated Interest Receivable (Liability) Final Figures	(J) Variance, MSDE to Report to FMS Interest Receivable (Liability)
1	9,596,183.50	06/21/2002	9	07/01/2002	06/30/2002	1	07/01/2002	-	\$ -	\$ -	\$ -
2	8,259,134.54	10/23/2002	9	10/30/2002	11/01/2002	-	11/01/2002	(2)	(597.37)	(597.37)	-
3	9,890,609.06	11/21/2002	9	11/27/2002	11/30/2002	(1)	11/29/2002	(2)	(715.38)	(715.38)	-
4	7,517,581.67	12/18/2002	9	12/27/2002	12/27/2002	-	12/27/2002	-	-	-	-
5	5,430,189.23	01/21/2003	9	01/30/2003	01/30/2003	-	01/30/2003	-	-	-	-
6	4,815,677.47	02/21/2003	9	02/28/2003	03/02/2003	1	03/03/2003	(3)	(522.47)	(522.47)	-
**7	5,706,863.89	03/21/2003	9	03/28/2003	03/30/2003	1	03/31/2003	(3)	(619.16)	(206.39)	(412.77)

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2003 (continued)

Finding Number 2003-13 (continued)

MSDE Calculation Comparison to STO Calculation for Transaction #7

	A	B	C	D	E	F	G	H
	Transaction Amount	Transaction Date	Federal Funds Received Date	Calculated Clearance Date	Adjustment for Weekends and Holidays	Calculated Clearance Date	Days (Early)/Late	Interest (Liability) Receivable
**7 MSDE	5,706,863.89	03/21/2003	03/28/2003	03/30/2003	(1)	03/29/2003	(1)	\$(206.39)
STO	5,706,863.89	03/21/2003	03/28/2003	03/30/2003	1	03/31/2003	(3)	(619.16)
						Difference	(2)	(412.77)

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2003 (continued)

<i>Department</i>	Department of Health and Mental Hygiene (DHMH)
<i>Program</i>	Center for Disease Control and Prevention: Investigations and Technical Assistance
<i>CFDA Number</i>	93.283
<i>Finding Number</i>	2003-14
<i>Comment</i>	Unresolved by the Federal Government – Auditee Updated Response and Corrective Action Plan: The Division of General Accounting instituted procedures which require a supervisor’s (Chief, Deputy Chief or Federal Fund Supervisor) approval of all draw down requests before submissions to the State Treasurer’s Office for processing. Documentation to support draw down request is being reviewed, approved and retained for audit purposes. Documentation includes R*STARS reports, worksheets, correspondence with Treasurer’s Office (when applicable), courtesy deposits and journal entries to distribute funds. DHMH hopes to complete automated draw project in fiscal year 2005.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2003 (continued)

Department Department of Health and Mental Hygiene (DHMH)
Program Center for Disease Control and Prevention: Investigations and Technical Assistance
CFDA Number 93.283
Finding Number 2003-15
Comment **Unresolved by the Federal Government – Auditee Updated Response and Corrective Action Plan:**

Revenue

The Department ensured that revenue per R*STARS, the Schedule G and applicable federal report (i.e., PCS 272-B) was reconciled for fiscal year 2004.

Expenditures

The Department ensured that cumulative grant expenditures reported on the Financial Status Report (SF 269) agree with R*STARS. In addition, at June 30, 2004 we ensured that the expenditure amount reported on the PSC 272-A (Federal Cash Transaction Report) reconciled with R*STARS and the Schedule G.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2003 (continued)

<i>Department</i>	Department of Human Resources (DHR)
<i>Program</i>	Child Support Enforcement
<i>CFDA Number</i>	93.563
<i>Finding Number</i>	2003-16
<i>Comment</i>	<p>Unresolved by the Federal Government – Auditee Updated Corrective Action Plan: The Department conducts quarterly management reviews of Child Support federal fund draws after submitting the quarterly federal financial report. The review is an in-depth analysis of funds drawn compared to actual reported expenditures to determine the adjusting draw that must be made within 45 days of a quarter's end, per the Treasury State Agreement (TSA). Management's determination of the quarterly cash adjustment is supported by an analysis of our award balance and adjusting awards to be received to cover actual reported expenditures. The individuals responsible for drawing Child Support federal funds also generate a quarterly adjusting figure. Only when the two independent adjusting figures reconcile is an adjusting draw request processed.</p> <p>The finding that management is not reviewing each federal fund request is correct. Since the components and techniques of the TSA are strictly adhered to, a review was not deemed necessary. However, in September 2004, the Department instituted a process by which management reviews draw requests on a test basis. The requests that are reviewed by management are signed, dated and retained with the requests for audit purposes.</p>

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2003 (continued)

<i>Department</i>	Department of Human Resources (DHR)
<i>Program</i>	Child Support Enforcement
<i>CFDA Number</i>	93.563
<i>Finding Number</i>	2003-17
<i>Comment</i>	Unresolved by the Federal Government – Auditee Updated Corrective Action Plan: The Child Support Enforcement Agency (CSEA) is in the process of securing a vendor to perform the SAS 70. The test of controls would ensure that the CSEA collection process performed by the third party service provider is functioning properly. The vendor will ensure that the requirements of the front-end payment processing are met, physical and environmental controls are adequate, and conduct tests to ensure backup and recovery procedures are adequate.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2003 (continued)

<i>Department</i>	Department of Human Resources (DHR)
<i>Program</i>	Child Support Enforcement
<i>CFDA Number</i>	93.563
<i>Finding Number</i>	2003-18
<i>Comment</i>	Unresolved by the Federal Government – Auditee Updated Corrective Action Plan: New procedures were established and implemented to address the receiving and processing of Interstate Cases. The written procedures are being used to address the timeframes in case processing as required by the Federal Regulation. Supervisory review is implemented on a quarterly basis and copies of the signed-off review would be kept in the Review Folder of the Local Child Support Offices.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2003 (continued)

<i>Department</i>	Department of Human Resources (DHR)
<i>Program</i>	Child Support Enforcement
<i>CFDA Number</i>	93.563
<i>Finding Number</i>	2003-19
<i>Comment</i>	Unresolved by the Federal Government – Auditee Updated Corrective Action Plan: We are in the process of enhancing our automated system to capture the collection process as required on OCSE – 34A Report Final Ruling dated October 1, 2003. These enhancements would include the supporting documents that detail all collections, distributions and maintained for audit reviews. All supporting documents will be maintained in a binder for audit trail.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2003 (continued)

<i>Department</i>	Department of Human Resources (DHR)
<i>Program</i>	Child Support Enforcement
<i>CFDA Number</i>	93.563
<i>Finding Number</i>	2003-20
<i>Comment</i>	<p>Unresolved by the Federal Government – Auditee Updated Corrective Action Plan: CSEA has developed policy and procedures that will require supervisors in each jurisdiction to review a certain number of cases. Cases will be randomly selected on a quarterly basis. A form has been developed for supervisors to complete on each case reviewed, that will document the following:</p> <ul style="list-style-type: none">• The areas that need to be reviewed;• A check-off as to whether or not certain actions were completed or the required data was entered into CSES; and• The supervisor can document any action that may be needed in the case. <p>All completed forms will be maintained in the folders of the cases reviewed and be assessable for audit purposes. Records of the supervisory reviews will be maintained in the local child support offices.</p>

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2003 (continued)

Department Department of Human Resources (DHR)
Program Food Stamp Cluster
CFDA Number 10.551 and 10.561
Finding Number 2003-21
Comment **Unresolved by the Federal Government – Auditee Updated Corrective Action Plan:** DHR concurred with the recommendation that it should obtain a SAS 70 report that provides sufficient coverage which allows DHR to rely on the internal controls over the outsourced operations of the Client Automated Resource Eligibility System (CARES) operating environment.

Ernst & Young LLP in their *State of Maryland, Single Audit Report*, for the year ended June 30, 2003, cited DHR for failing to comply with the requirements of **Statement of Auditing Standards No. 70 (SAS 70), Service Organizations**, writing “Upon review of two reports provided to DHR, it was noted that the testing period was for only five months of the State’s fiscal year ending June 30, 2003. In order for reliance to be placed on a SAS 70 report, it should cover a sufficient portion of the financial audit period to demonstrate that controls were operating as intended.”

In reviewing the SAS 70 report cited above, DHR concluded that the testing period, covering only five months, was insufficient. Consequently, in the subsequent, and most recently completed SAS 70 review of DHR’s outsourcing operation, the independent auditor, Rufus Ingram, Certified Public Accountant, as part of its audit conducted “. . . tests of the operating effectiveness covers the period from May 1, 2003 through April 30, 2004.”

Rufus Ingram, CPA, also noted in his report dated June 25, 2004 that “The control objectives were specified by the management of IBM Global Services. Our examination was performed in accordance with standards established by the *American Institute of Certified Public Accountants* (AICPA) and included those procedures we considered necessary in the circumstances to obtain a reasonable basis for rendering our opinion.”

As a result of his review, Rufus Ingram, CPA, concluded that “Our review indicated that IBM Global Services has designed and implemented controls to meet all of the control objectives suggested by CMS. In addition, we determined that the controls appear to be operating effectively.”

DHR, therefore, concludes that it has complied with the original recommendation noted in Finding 2003-21 recommending that “DHR should make the necessary arrangements to have the report prepared in accordance with AICPA guidelines, cover a minimum of six months.”

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2002

Department Health and Mental Hygiene
Program Special Supplemental Nutrition Program for Women, Infants and Children
CFDA Number 10.557
Finding Number 2002-1
Comment **Unresolved by the Federal Government – Original Response and Corrective Action Plan:** Although WIC Program staff conducted sight visits to local agencies within the federal fiscal year, operational reports were not reviewed until October and November due to the staff constraints. Letters with findings were sent to the two local agencies in November 2002.

Since the new management information system, WIC WINS, has been implemented statewide, State WIC staff has the time to conduct the evaluations according to the schedule. The 2003 management evaluation schedule is being monitored to ensure the completion as specified in the federal regulations.

Auditee Updated Response: Management evaluations continue to be conducted according to the schedule that has been developed.

Department Health and Mental Hygiene
Program Special Supplemental Nutrition Program for Women, Infants and Children
CFDA Number 10.557
Finding Number 2002-2
Comment **Unresolved by the Federal Government – Original Response and Corrective Action Plan:** The WIC Program does not recall being asked for a reconciliation of food instruments. Although the Program was in the process of implementing a new information system in February 2002, it was able to reconcile food instruments under both the old and new system. Food instruments continue to be reconciled on a monthly basis.

Auditee Updated Response: Food instruments reconciliation is performed monthly, and a reconciliation report is included in the WIC Management Information System.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2002 (continued)

Department Health and Mental Hygiene
Program Substance Abuse Prevention and Treatment Block Grant
CFDA Number 93.959
Finding Number 2002-3
Comment **Unresolved by the Federal Government – Original Response and Corrective Action Plan:** ADAA agrees with the audit finding. The agency will take the necessary steps to implement a tracking system that will ensure better compliance with federal regulations. ADAA is currently developing a new grants management data collection system. The agency also has approval to hire a federally funded SAPT Block Grant Coordinator. The grants data system and the SAPT coordinator will further enable ADAA to meet all federal Block Grant tracking requirements.

This action plan applies to necessary actions relative to 45 CFR section 96.128(f) for HIV, 45 CFR section 96.127(c) for tuberculosis, and 45 CFR section 96.124(c) for pregnant women and women with dependent children.

Auditee Updated Response: The Alcohol and Drug Abuse Administration (ADAA) continues to comply with audit recommendations and update its data as necessary. A new Substance Abuse Prevention and Treatment (SAPT) Block Grant Coordinator has been hired (June 2004) to track expenditures as noted in the audit. Technical assistance has just been conducted this month (January 2005) by Johnson, Bassin & Shaw, Incorporated (JBS) to address training needs for the new SAPT Block Grant Coordinator and issues related to maintenance of efforts (MOEs). All of these efforts are directed to ensure effective management of the SAPT Block Grant and to comply with the cited findings and recommendations.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2002 (continued)

<i>Department</i>	Health and Mental Hygiene
<i>Program</i>	Substance Abuse Prevention and Treatment Block Grant
<i>CFDA Number</i>	93.959
<i>Finding Number</i>	2002-4
<i>Comment</i>	<p>Unresolved by the Federal Government – Auditee Updated Response: The Alcohol and Drug Abuse Administration (ADAA) continues to comply with audit recommendations and update its data as necessary. A new Substance Abuse Prevention and Treatment (SAPT) Block Grant Coordinator has been hired (June 2004) to track expenditures as noted in the audit. Technical assistance has just been conducted this month (January 2005) by Johnson, Bassin & Shaw, Incorporated (JBS) to address training needs for the new SAPT Block Grant Coordinator and issues related to maintenance of efforts (MOEs). All of these efforts are directed to ensure effective management of the SAPT Block Grant and to comply with the cited findings and recommendations.</p> <p>Regarding the provisions of federal regulation 45 CFR 96.135, the ADAA no longer awards federal dollars for treatment in correctional or penal facilities. Therefore, there are no expenditures of federal dollars that must be tracked by the ADAA pursuant to 45 CFR 96.135.</p>

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2002 (continued)

<i>Department</i>	Human Resources
<i>Program</i>	Child Care and Development Block Grant, and Child Care Mandatory and Matching Funds of the Child Care Development Fund
<i>CFDA Number</i>	93.575 and 93.596
<i>Finding Number</i>	2002-5
<i>Comment</i>	Unresolved by the Federal Government – Auditee Updated Response and Corrective Action Plan: The Department of Human Resources has ensured that Schedule G expenditures are accurately reported by CFDA number. As such, the CFDA number used for Child Care Discretionary Funds is 93.575 and the CFDA number for Child Care Mandatory and Matching Funds is 93.596.

These corrections have been in place since January 2003. A revised Schedule G for fiscal year 2002 was submitted to the Comptroller of the Treasury on January 31, 2003. In addition, another member of the Grants Management staff independently reviews the accuracy of expenditures reported to their related CFDA numbers for each fiscal year.

Anticipated Implementation Date: Plan has been implemented.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2002 (continued)

Department Human Resources
Program Temporary Assistance to Needy Families, Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care Development fund, and Social Services Block Grant
CFDA Number 93.558, 93.575, 93.596, and 93.667
Finding Number 2002-6
Comment **Unresolved by the Federal Government – Original Response and Corrective Action Plan:**

The Department agrees with the above audit findings in that the Schedule of Expenditures of Federal Awards (SEFA) for the above-referenced grants were not accurately reported by CFDA numbers. However, the Department emphasizes that it accurately reported the expenditures related to the funds transferred from Temporary Assistance for Needy Families (TANF) into the Social Services Block Grant (SSBG) and the Child Care Development Fund (CCDF). The expenditures were reported as expenditures of those respective programs in both their federal reports and in the State books.

In order to implement the audit recommendation, the Department has taken the following two steps:

1. In order to minimize the possibility of this problem recurring, the CFDA numbers will be entered as an additional identifying number in the Department's records for all the federal grants.
2. The CFDA numbers will be independently reviewed by a staff member other than the person who completed the SEFA.

Auditee Updated Response: The expenditures transferred from the Temporary Assistance for Needy Families Block Grant to the Social Services Block Grant and the Child Care Development Fund have continued to be reported properly in the Schedule G under CFDA numbers 93.667 and 93.575, respectively. The Department implemented the steps outlined in the Corrective Action Plan. Another staff member independently reviews the CFDA numbers each fiscal year.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2002 (continued)

Department Human Resources
Program Low Income Home Energy Assistance
CFDA Number 93.568
Finding Number 2002-7
Comment **Unresolved by the Federal Government – Auditee Updated Corrective Action Plan:** In the case of Neighborhood Service Center, during annual site visits by State Office of Home Energy Programs (OHEP) staff on June 4, 2003 and June 30, 2004, the agency's Single Audit reports were reviewed and non-compliance issues were not cited. In the case of Anne Arundel County Economic Opportunity Committee, Inc. (EOC), their Single Audit for 2002 and 2003 by an independent auditor disclosed no repeat findings. The final reconciliation of Anne Arundel's Maryland Energy Assistance Program (MEAP) funds matched State records. All local MEAP funds were properly accounted. Two subsequent site visits to Anne Arundel County EOC on April 3, 2003 and on March 10, 2004 confirmed compliance. In summary, the Department has procedures to insure corrective action plans are enforced. The OHEP monitoring team follows procedures developed by the program. A monitoring instrument is used to provide consistent implementation and controls for the process. The documentation is maintained in the unit as a record of the site visits and for any required follow up actions. By the end of June 2005 site-monitoring visits will be completed to confirm the corrective actions for problems identified in the two cited subrecipient audits.

Department Human Resources
Program Low Income Home Energy Assistance
CFDA Number 93.568
Finding Number 2002-8
Comment **Unresolved by the Federal Government – Auditee Updated Corrective Action Plan:** In 2004, State Office of Home Energy Programs (OHEP) staff made site visits to all subrecipient agencies. During site monitoring visits, the State monitors reviewed both 2002 and 2003 local administrative agency for compliance with applicable federal regulations and State guidance. All agencies were in compliance with applicable federal regulations. Annual site monitoring visits are now part of this unit's assignments. Each visit is fully documented and available for review.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2002 (continued)

<i>Department</i>	Human Resources
<i>Program</i>	Child Care and Development Fund Block Grant, and Child Care Mandatory and Matching Funds of the Child Care Development Fund
<i>CFDA Number</i>	93.575 and 93.596
<i>Finding Number</i>	2002-9
<i>Comment</i>	Unresolved by the Federal Government – Auditee Updated Corrective Action Plan: Since the 2002 Single Audit Report, the Department of Human Resources has continued to monitor its CCDF expenditures to ensure that it meets the quality and availability earmark requirement. Federal law requires states to spend at least 4% of their CCDF funds on quality activities. The Department of Human Resources spent 4.2% on quality activities in FFY 2002 and 5.0% in FFY 2003.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2002 (continued)

Department Program	State Treasurer's Office School Breakfast Program, National School Lunch Program, Child and Adult Care Food Program, State Administrative Matching Grants for Food Stamp Program, Employment Services, Unemployment Insurance Program, Welfare-to-Work Grants to States and Localities, Workforce Investment Act, Airport Improvement Program, Federal Transit: Capital Investment Grants, Federal Transit: Formula Grants, Title I Grants to Local Education Agencies, Special Education: Grants to States, Vocational Education: Basic Grants to States, Rehabilitation Services: Vocational Rehabilitation Grants to States, Reading Excellence, Class Size Reduction, Temporary Assistance to Needy Families, Child Support Enforcement, Low-Income Home Energy Assistance, Foster Care: Title IV-E, Medical Assistance Program, HIV Care Formula Grants, Block Grants for Prevention and Treatment of Substance Abuse, and Social Security: Disability Insurance
CFDA Number	10.553, 10.555, 10.558, 10.561, 17.207, 17.225, 17.253, 17.255, 20.106, 20.500, 20.507, 84.010, 84.027, 84.048, 84.126, 84.338, 84.340, 93.558, 93.563, 93.568, 93.658, 93.778, 93.917, 93.959, and 96.001
Finding Number	2002-10
Comment	Unresolved by the Federal Government – Auditee Updated Response and Corrective Action Plan: On March 4, 2004, the office of the State Treasurer completed development and recertification related to Average Clearance Vendor and Average Clearance Payroll check clearance patterns. We have replaced Average Clearance Vendor (9 Day Pattern) and Average Clearance Payroll (1 Day Pattern) with Dollar Weighted Clearance Day Vendor (8 Day Pattern) and Dollar Weighted Clearance Day Payroll (1 Day Pattern) accordingly. We developed the patterns in accordance with a method approved by Financial Management Service (FMS), U.S. Department of the Treasury, including auditable calculations and maintenance of all supporting documentation. The Office will work with the appropriate State agencies to start using the new check clearance patterns with transactions beginning on March 28, 2005. The State executed a multi-year Treasury-State Agreement in October 2004 that runs through June 30, 2009. Amendments to the Treasury-State Agreement resulting from the recertification procedures will be made on a timely basis.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2002 (continued)

Department Labor, Licensing and Regulation
Program Unemployment Insurance Program
CFDA Number 17.225
Finding Number 2002-14
Comment

Unresolved by the Federal Government – Auditee Response and Corrective Action Plan: The Department agrees with this recommendation and will continue to maintain all documentation supporting the basis for the development of the check clearance patterns for benefit payments. DLLR also agrees that the methodology defined in the CMIA Agreement, Sections 7.11 to 7.11.4, is not currently being used to develop the actual clearance pattern.

DLLR retains documentation to support the methodology currently being used to ensure an acceptable clearance pattern. This documentation has been provided to the State Treasurer and they did not request any changes or clarifications to the clearance patterns. We believe that this methodology provides a very accurate clearance pattern. It is also important to note that DLLR has not incurred any interest liability because the UI Trust Fund banking fees have always exceeded the amount of interest earned on any excess balances.

If the documentation provided is acceptable, the Department shall begin to work with the State Treasurer and the U.S. Department of the Treasury to ensure that the clearance pattern methodology currently being utilized is properly defined in the CMIA Agreement.

Auditee Updated Response: The State Treasurer of Maryland and the Secretary of the Treasury for the U.S. Department of the Treasury have amended the existing Treasury-State Agreement under the Cash Management Improvement Act (CMIA) for Section 7.11 mentioned in the finding. The amended agreement has been signed and copies of the signed agreement were forwarded to the grant officer on February 17, 2005.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2002 (continued)

<i>Department</i>	Labor, Licensing and Regulation
<i>Program</i>	Unemployment Insurance Program
<i>CFDA Number</i>	17.225
<i>Finding Number</i>	2002-15
<i>Comment</i>	<p>Unresolved by the Federal Government – Original Response and Corrective Action Plan: The agency concurs with this finding. Current grant accounting systems within DLLR do not allow for a complete reconciliation of costs between the R*STARS system and the system used for grant accounting (the FARS system). Secretary Fielder has directed DLLR to establish a working group that will find the methods needed to identify and reconcile R*STARS and FARS differences down to the employee and grant level. The Secretary has stated that should these efforts prove unsuccessful, he will direct the group to seek out an alternative time distribution system that will reconcile with R*STARS. Projected timetables have not yet been determined.</p> <p>Auditee Updated Response: The Department has developed a format for reconciling the grant expenditures and revenues by CFDA and Grant. The process reconciles the DAFR 8440 report (FMIS), SF 269 reports, and the year end Schedule G report for expenditures. The process reconciles cash/revenues as recorded in the PMS system, FMIS System, and the year end Schedule G report. Differences are identified and recommendations for corrective actions are verified and adjustments are made as necessary. This process has been substantially completed for State fiscal year 2004. The reconciliation and accompanying explanations and remedies for the Unemployment Insurance Grant (CFDA 17.225) was forwarded to the Federal Employment and Training Administration on October 29, 2004.</p>

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2002 (continued)

<i>Department</i>	Maryland State Department of Education
<i>Program</i>	Rehabilitation Services: Vocational Rehabilitation Grants to States
<i>CFDA Number</i>	84.126
<i>Finding Number</i>	2002-17
<i>Comment</i>	<p>Unresolved by the Federal Government – Auditee Updated Corrective Action Plan: The Division of Rehabilitation Services has implemented the following corrective action plan:</p> <ul style="list-style-type: none">• Administrative Instruction 03-06, “60-Day Eligibility Determination” was disseminated on March 31, 2003, to clarify and reinforce the requirement to make eligibility decisions within the 60-day time frame. It also included procedures to be used in the new case management system, AWARE, when making eligibility decisions and when there is a need for an extension: http://intranet/issuances/Intranet/AI03Folder/ai0306.htm• Statewide staff training was held March 26, April 1, April 9 and April 15, 2003 related to implementation of AWARE. “Timely Eligibility Decisions” was a main agenda item and was presented by the Special Assistant to the Assistant State Superintendent. The presentation included the finding of noncompliance; the importance of making timely eligibility decisions; AWARE procedures to assure appropriate documentation; and required actions.• DORS MIS Branch completed testing and has fully integrated the 60-day Eligibility Report into the AWARE Case Management System in August 2004.• On a monthly basis, supervisors are reviewing a report with counselors of cases that are nearing the 60-day requirement in an effort to make timely decisions. In the event that the decision cannot be made within 60 days, the counselor will complete the “extension of time to deem eligibility” form stating the reason for the extension and the length of time of the extension.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2002 (continued)

Department	Maryland State Department of Education
Program	Title I Grants to Local Educational Agencies and Rehabilitation Services: Vocational Rehabilitation Grants to States
CFDA Number	84.010 and 84.126
Finding Number	2002-18
Comment	<p>Unresolved by the Federal Government – Auditee Updated Corrective Action Plan: The corrective action reported in our last update is still in force. Specifically, the Division of Business Services (DBS) has implemented the following corrective action Plan:</p> <ul style="list-style-type: none">• The General Accounting Supervisor runs COGNOS reports to draw in funds for the following:<ul style="list-style-type: none">– Cash Management Improvement Act Grants (weekly)– Non-Cash Management Improvement Act Grants (monthly)– Payroll Disbursements for all other grants (monthly)• The General Accounting Supervisor forwards the reports to the Chief of the Accounting Branch who reviews them and forwards them to an Accounts Payable Supervisor. The Accounts Payable Supervisor draws in the funds and forwards the drawdown documentation to the Chief of the Accounting Branch who prepares a journal entry in R*STARS to reclassify the distribution of the funds by grant.• At year end, the General Accounting Supervisor reviews online balances within the drawdown systems—GAPS, PMS, etc. Subsequently, Schedule G is prepared from revenues produced from an R*STARS FOCUS program and expenditures from a DAFR Report. This Schedule is prepared with the assistance of the Chief of the Accounting Branch and the Chief of Accounts Payable.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2002 (continued)

Department Department of Health and Mental Hygiene
Program Medicaid Cluster
CFDA Number 93.775, 93.777 and 93.778
Finding Number 2002-21
Comment **Unresolved by the Federal Government – Auditee Updated Response and Corrective Action Plan:** The corrective action plan is in place. The Executive Director of Family Investment Administration (FIA), Department of Human Resources was sent a letter by the Executive Director of the Office of Operations, Eligibility & Pharmacy, DHMH, on August 25, 2004, that requested corrective action plans for Ernst & Young audit findings. The FIA Executive Director responded to our letter on October 4, 2004 with a corrective action plan that identified the actions taken to address the audit findings and the contact person in charge of the action. DHMH has identified these as technical errors committed by the Department of Human Resources. Payments for services rendered to an ineligible recipient based on a technical error is not recoverable, therefore a referral to the Division of Recovery and Finance is not warranted.

Department Department of Health and Mental Hygiene
Program Medicaid Cluster
CFDA Number 93.775, 93.777 and 93.778
Finding Number 2002-22
Comment **Unresolved by the Federal Government – Auditee Updated Response and Corrective Action Plan:** The corrective action plan is in place. All draw down requests to General Accounting have been reviewed and signed by the Chief of Budgeting/Accounting/Revenue Division. These draw down requests are on file for review in the DHMH Division of General Accounting.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2002 (continued)

Department Department of Health and Mental Hygiene
Program Medicaid Cluster
CFDA Number 93.775, 93.777 and 93.778
Finding Number 2002-23
Comment **Unresolved by the Federal Government – Auditee Updated Response and Corrective Action Plan:** We feel that our last year responses to the finding completely and accurately responded to the issues raised by the auditors. In the interim, there have been four quarterly reviews of our fiscal year 2004 Centers for Medicare and Medicaid Services (CMS) 64 submissions by the CMS Region III, and CMS has expressed none of the concerns raised by the auditors with regard to our data presentation. We want to supply the data in the manner and format required by CMS, and as far as we understand, we are doing that. If the auditors feel that there are still issues to be discussed, we suggest either a meeting or conference call between the auditors, CMS Region III, and ourselves. We are ready to work with CMS to achieve any data presentation changes that they require.

Department Department of Health and Mental Hygiene
Program Medicaid Cluster
CFDA Number 93.775, 93.777 and 93.778
Finding Number 2002-24
Comment **Unresolved by the Federal Government – Auditee Updated Response and Corrective Action Plan:** The Department has received clearance pattern information from the Comptroller’s Office and is awaiting a response from the Treasurer’s Office. The Department will request this information annually and maintain it on site for audit purposes.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2002 (continued)

Department Department of Health and Mental Hygiene
Program Medicaid Cluster
CFDA Number 93.775, 93.777 and 93.778
Finding Number 2002-25
Comment **Unresolved by the Federal Government – Auditee Updated Response and Corrective Action Plan:** An error existed in the automated interface between Client Automated Resource Eligibility System (CARES) and Medicaid Management Information System (MMIS) which prevented certain cancel transactions from being properly communicated. This error has been corrected. MMIS produces error reports which are reviewed and resolved by staff daily. The monthly reconciliation report has been modified to ensure that the reports capture all data which identify cases closed on CARES but active on MMIS. These reconciliation reports are reviewed and resolved each month. DHMH will identify the cost of any improper Medical Assistance payments and make appropriate adjustments with the U.S. Department of Health and Human Services.

Corrective action plan is in place. A system review was conducted on the 12,000 cases closed in February 2003, and it was discovered that only approximately 2,700 cases were reopened. The cases were reopened due to the recipient reapplying and determined eligible for Medical Assistance. There were no improper Medical Assistance payments made and therefore an adjustment to the U.S. Department of Health and Human Services is not warranted.

Department Department of Health and Mental Hygiene
Program Medicaid Cluster
CFDA Number 93.775, 93.777 and 93.778
Finding Number 2002-26
Comment **Unresolved by the Federal Government – Auditee Updated Response and Corrective Action Plan:** In August 2003, an independent accounting firm completed the **Medicaid Management Information Systems – II (MMIS-II) Risk Assessment Report** and after review, it has been determined that the Office of Operations, Eligibility and Pharmacy (OOEP) has already made necessary adjustments to be in compliance with that report. A change has been made in the way the Administration handles its network passwords. The Administration now uses passwords 8 characters in length including a mix of numeric and alpha characters and the State's data processing center has strengthened its own security and access including more frequent updates and the requirement for mixing numeric and alpha characters.