

STATE OF MARYLAND

Single Audit Report

Year ended June 30, 2002 with Reports of Independent Auditors

State of Maryland

Single Audit Report

Year ended June 30, 2002

Contents

REPORT OF INDEPENDENT AUDITORS ON FINANCIAL STATEMENTS

Report of Independent Auditors on Financial Statements Audited in Accordance with *Government Auditing Standards* and Supplementary Schedule of Expenditures of Federal Awards1

COMPLIANCE AND INTERNAL CONTROL REPORTS

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Financial Statements in Accordance with *Government Auditing Standards*3

Report on Compliance and on Internal Control Over Compliance in Accordance with OMB Circular A-1335

Report on Compliance and on Internal Control Over Compliance in Accordance with OMB Circular A-1337

Schedule of Expenditures of Federal Awards9

Notes to the Schedule of Expenditures of Federal Awards31

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditors’ Results38

Section II – Financial Statement Findings40

Section III – Federal Award Findings and Questioned Costs41

Summary Schedule of Prior Audit Findings112

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, 2002. 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) Maryland Water Quality Financing Administration; (2) Maryland State Lottery Agency; (3) State Use Industries; (4) Maryland Food Center Authority; (5) Maryland Environmental Service; (6) Deferred Compensation Plan; (7) Maryland Local Government Investment Pool; and (8) State Retirement and Pension System of Maryland, which represent the percentages of the assets and revenues of the opinion units listed below.

	Percentage of Opinion Unit	
	Total Assets	Total Revenues or Additions
Business-Type Activities:		
Maryland Water Quality Financing Administration	8.02	3.29
Maryland State Lottery Agency	5.19	54.60
State Use Industries	.35	1.77
	13.56	59.66
Major Funds:		
Economic Development – Loan Programs:		
Maryland Water Quality Financing Administration	15.17	27.23
Maryland State Lottery Agency	100.00	100.00
Aggregate Discretely Presented Component Units:		
Maryland Food Center Authority	.46	.21
Maryland Environmental Service	1.63	2.07
	2.09	2.28
Aggregate Remaining Fund Information:		
State Use Industries	.08	.65
Deferred Compensation	4.62	.69
Maryland Local Government Investment Pool	3.67	55.19
State Retirement and Pension System of Maryland	85.57	(22.84)
	93.94	33.69

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and in 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. The financial statements of the Maryland State

Lottery Agency 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.

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 of Maryland, as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Special Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1D to the financial statements, not included herein, the State has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments,” as of July 1, 2001.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2002, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering 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.

Ernst + Young LLP

December 6, 2002

Report on Compliance and on Internal Control
Over Financial Reporting 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, 2002, and have issued our report thereon dated December 6, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Maryland State Lottery Agency were not audited in accordance with *Government Auditing Standards*.

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financing 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 financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the State of Maryland in a separate letter dated December 6, 2002.

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

December 6, 2002

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, 2002. 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 report 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.

In our opinion, based on our audit and the report of other auditors, 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, 2002. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which 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 2002-11 to 2002-26.

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 2002-11 through 2002-26.

A material weakness is a 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 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, we believe none of the reportable conditions described above are 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

February 28, 2003, except for Note 10
to the Schedule of Expenditures of
Federal Awards, the date of which
is July 1, 2004

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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, 2002. 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, 2002. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which 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 2002-1 to 2002-10.

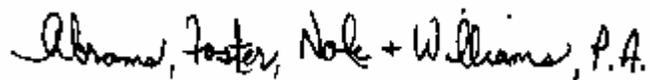
Internal Control Over Compliance

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.

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 2002-1 to 2002-10.

A material weakness is a 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 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, we believe none of the reportable conditions described above are 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.



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

February 28, 2003

State of Maryland
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002

Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance	Other Expenditures	Total Expenditures
02 <u>Agency for International Development (AID)</u>					
Agency for International Development	O2.RD	\$ 618,794	\$ -	\$ -	618,794
Pass-Through Supreme Council of Egyptian Universities	O2.RD	5,129			5,129
Pass-Through Supreme Council of Universities, Foreign Relations	O2.RD	74,168			74,168
Pass-Through United Negro College Fund	O2.RD	23,640			23,640
Pass-Through University Research Corporation International	O2.RD	3,286,423			3,286,423
Pass-Through United Negro College Fund	02.TELP-UMES			147,935	147,935
Pass-Through University Research Corporation International	O2. Unknown			47,201	47,201
Total Pass-Through Agency for International Development		3,389,360	-	195,136	3,584,496
Total Agency for International Development		4,008,154	-	195,136	4,203,290
10 <u>Department of Agriculture (DOA)</u>					
Agricultural Research: Basic and Applied Research	10.001			273,267	273,267
Plant and Animal Disease, Pest Control and Animal Care	10.025			232,571	232,571
Commodity Loans and Loan Deficiency Payments	10.051			664,815	664,815
Forestry Incentives Program	10.064			6,400	6,400
Federal-State Marketing Improvement Program	10.156			17,252	17,252
Market Protection and Promotion	10.163			111,179	111,179
Grants for Agricultural Research, Special Research Grants	10.200			217,483	217,483
Pass-Through Colorado State University	10.200			24,778	24,778
Pass-Through University Vermont	10.200			6,749	6,749
Total Pass-Through Grants - Grants for Agricultural Research, Special Research	10.200	-	-	31,527	31,527
Total Grants for Agricultural Research, Special Research Grants	10.200	-	-	249,010	249,010
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205			8,551	8,551
Grants for Agricultural Research: Competitive Research Grants	10.206			174,139	174,139
Animal Health and Disease Research	10.207			10,833	10,833
1890 Institution Capacity Building Grants	10.216			537,620	537,620
Integrated Programs	10.303			7,975	7,975
Crop Insurance	10.450			72,409	72,409
Egg Products Inspection	10.476			1,096	1,096
Cooperative Extension Service	10.500			5,356,614	5,356,614
Pass-Through University of Delaware	10.500			123	123
Total Cooperative Extension Service	10.500	-	-	5,356,737	5,356,737
Food Donation	10.550			14,093,860	14,093,860
Food Stamp Cluster:					
Food Stamps	10.551			208,226,185	208,226,185
State Administrative Matching Grants for Food Stamp Program	10.561			34,550,758	34,550,758
Total Food Stamp Cluster		-	-	242,776,943	242,776,943
Child Nutrition Cluster:					
School Breakfast Program	10.553			22,823,961	22,823,961
National School Lunch Program (NSLP)	10.555			79,402,636	79,402,636
Special Milk Program for Children	10.556			544,918	544,918
Summer Food Service Program for Children	10.559			3,377,690	3,377,690
Total Child Nutrition Cluster		-	-	106,149,205	106,149,205

State of Maryland
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002

Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance	Other Expenditures	Total Expenditures
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557			51,401,847	51,401,847
Child and Adult Care Food Program	10.558			31,522,139	31,522,139
State Administrative Expenses for Child Nutrition	10.560			1,961,584	1,961,584
Nutrition Education and Training Program	10.564			202,752	202,752
Emergency Food Assistance Cluster:					
Emergency Food Assistance Program (Administrative Costs)	10.568			654,681	654,681
Emergency Food Assistance Program (Food Commodities)	10.569			2,321,973	2,321,973
Total Emergency Food Assistance Cluster		-	-	2,976,654	2,976,654
WIC Farmers' Market Nutrition Program (FMNP)	10.572			481,863	481,863
Temporary Emergency Food Assistance Program	10.580			794	794
Agricultural Mediation Program	10.645			18,899	18,899
Cooperative Forestry Assistance	10.664			2,435,916	2,435,916
Rural Development, Forestry and Communities	10.672			18,159	18,159
National Agricultural Library	10.700			(2,443)	(2,443)
Rural Business Enterprise Grants	10.769			78,952	78,952
Farmland Protection Program	10.913			570,736	570,736
Agricultural Statistics Reports	10.950			15,255	15,255
Technical Agricultural Assistance	10.960			20,986	20,986
International Training: Foreign Participant	10.962			11,425	11,425
Agricultural Research Service	10.RD	2,585,349			2,585,349
Pass-Through Pennsylvania State University	10.RD	2,775			2,775
Pass-Through Rodale Institute Experimental Farm	10.RD	223			223
Pass-Through University of Vermont	10.RD	65,371			65,371
Pass-Through Virginia Polytechnic Institute and State University	10.RD	50,963			50,963
Total Pass-Through Agricultural Research Service	10.RD	119,332	-	-	119,332
Total Agricultural Research Service	10.RD	2,704,681	-	-	2,704,681
Animal and Plant Health Inspection Service	10.RD	18,640			18,640
Pass-Through Tuskegee University	10.RD	861			861
Total Animal and Plant Health Inspection Service		19,501	-	-	19,501
Cooperative State Research, Education, and Extension Service (CSREES)	10.RD	10,594,673			10,594,673
Pass-Through Clemson University	10.RD	5,785			5,785
Pass-Through Colorado State University	10.RD	1,675			1,675
Pass-Through Cornell University	10.RD	92,966			92,966
Pass-Through Delaware State University	10.RD	59,331			59,331
Pass-Through Evans-Allen	10.RD	1,022,665			1,022,665
Pass-Through Fins Technology	10.RD	19,871			19,871
Pass-Through Kentucky State University	10.RD	32,292			32,292
Pass-Through North Carolina State University	10.RD	27,423			27,423
Pass-Through Pennsylvania State University	10.RD	50,947			50,947
Pass-Through University of Colorado	10.RD	34,031			34,031
Pass-Through University of Delaware	10.RD	57,533			57,533
Pass-Through University of Maryland Foundation	10.RD	216,632			216,632
Pass-Through University of Missouri	10.RD	17,575			17,575
Pass-Through University of Pennsylvania	10.RD	242			242
Pass-Through Virginia State University	10.98-EXCA-3-			32,000	32,000
Total Pass-Through CSREES		1,638,968	-	32,000	1,670,968
Total CSREES		12,233,641	-	32,000	12,265,641
Economic Research Service	10.RD	68,249			68,249
Foreign Agricultural Service	10.RD	1,146,269			1,146,269
Forest Service	10.RD	315,515			315,515

State of Maryland
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002

Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance	Other Expenditures	Total Expenditures
Rural Business-Cooperative Service	10.RD	388,470			388,470
Pass-Through Rural Development Center	10.RD	17,172			17,172
Total Rural Business-Cooperative Service		405,642	-	-	405,642
Total DOA		16,893,498	-	462,491,380	479,384,878
11 <u>Department of Commerce (DOC)</u>					
Census Bureau Data Products	11.001			1,319,893	1,319,893
Economic Development: Technical Assistance	11.303			195,011	195,011
Economic Adjustment Assistance	11.307			8,278,789	8,278,789
Interjurisdictional Fisheries Act of 1986	11.407			55,627	55,627
Sea Grant Support: Pass-Through Virginia Institute of Maine Science	11.417			3,142	3,142
Coastal Zone Management Administration Awards	11.419			2,394,868	2,394,868
Coastal Zone Management Estuarine Research Reserves	11.420			259,329	259,329
Financial Assistance for National Centers for Coastal Ocean Science	11.426			854,605	854,605
Chesapeake Bay Studies	11.457			131,720	131,720
Office of Administration Special Programs	11.470			25,304	25,304
Unallied Science Program	11.472			12,044	12,044
Atlantic Coastal Fisheries Cooperative Management Act	11.474			156,788	156,788
Educational Partnership Program	11.481			470,005	470,005
Measurement and Engineering Research and Standards	11.609			609,719	609,719
Measurement and Engineering Research and Standards	11.609	8,237			8,237
Minority Business Development Centers	11.800			116,531	116,531
Bureau of the Census	11.RD	129,619			129,619
National Institute for Standards and Technology	11.RD	4,252,428			4,252,428
Pass-Through International Business Machine Corporation	11.70NANB7H3042	112			112
Total National Institute for Standards and Technology		4,252,540	-	-	4,252,540
National Oceanic and Atmospheric Administration	11.RD	7,216,073			7,216,073
Pass-Through Chesapeake and Coastal Watershed Service	11.RD	13,975			13,975
Pass-Through East Carolina University	11.RD	11,179			11,179
Pass-Through International Business Machine Corporation	11.RD	69,840			69,840
Pass-Through Research Foundation of State University of New York	11.RD	55,452			55,452
Pass-Through University of Delaware	11.RD	58,476			58,476
Pass-Through University of New Hampshire	11.RD	107,490			107,490
Pass-Through University of North Carolina at Chapel Hill	11.RD	(61)			(61)
Pass-Through Virginia Institute of Marine Science	11.RD	66,792			66,792
Total Pass-Through National Oceanic and Atmospheric Administration		383,143	-	-	383,143
Total National Oceanic and Atmospheric Administration		7,599,216	-	-	7,599,216
Total DOC		11,989,612	-	14,883,375	26,872,987
12 <u>Department of Defense (DOD)</u>					
Contract / Other	12.Unknown			172,403	172,403
Contract / Other	12.DCA 100-00D- 4008			250,208	250,208
Contract / Other	12.AE3000-0073- 0001			6,025	6,025
Contract / Other	12.9050010002			39,448	39,448
Contract / Other	12.MDA904-02-C- 0004			6,077	6,077
Contract / Other	12.MDA904-01-2- 0005			37,470	37,470

State of Maryland
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002

Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance	Other Expenditures	Total Expenditures
	12.MDA904-02-C-				
Contract / Other	0427			9,446	9,446
Planning Assistance to States	12.110			11,580	11,580
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113			613,482	613,482
Basic and Applied Scientific Research	12.300			322,538	322,538
Basic and Applied Scientific Research	12.300	45,612			45,612
Pass-Through SURA	12.300			8,063	8,063
Total Basic and Applied Scientific Research		45,612	-	330,601	376,213
Military Construction, National Guard	12.400			9,174,893	9,174,893
Military Medical Research and Development	12.420			44,321	44,321
Basic Scientific Research	12.431			69,144	69,144
Basic Scientific Research	12.431	531,183			531,183
Pass-Through Academy of Applied Science	12.431			1,641	1,641
Total Basic Scientific Research		531,183	-	70,785	601,968
National Security Education: Fellowships					
Pass-Through North Carolina A&T University	12.552			55,500	55,500
Basic, Applied, and Advanced Research in Science and Engineering	12.630			603,909	603,909
Air Force Defense Research Sciences	12.800	68,969			68,969
Mathematical Sciences Grant Program	12.901			731,499	731,499
Research and Technology Development: Pass-Through Telecordia Technologies	12.910			21,074	21,074
Department of the Army, Office of the Chief of Engineers	12.RD	2,666,046			2,666,046
Pass-Through Harvard University	12.RD	308,952			308,952
Total Department of the Army, Office of the Chief of Engineers		2,974,998	-	-	2,974,998
U.S. Army, Material Command	12.RD	4,155,600			4,155,600
Pass-Through BAE Systems Lockheed Sanders	12.RD	2,628			2,628
Pass-Through SRI Corporation	12.RD	90,100			90,100
Total Pass-Through Army, Material Command		92,728	-	-	92,728
Total U.S. Army, Material Command		4,248,328	-	-	4,248,328
Department of the Navy, Office of Chief of Naval Research	12.RD	13,346,331			13,346,331
Pass-Through Academy for Educational Development	12.RD	41,750			41,750
Pass-Through Advance Thermal and Environmental	12.RD	189,582			189,582
Pass-Through BAD Systems Lockheed Sanders, Inc.	12.RD	675,384			675,384
Pass-Through BBNT Solutions	12.RD	1,109			1,109
Pass-Through Bellcore	12.RD	1,051,607			1,051,607
Pass-Through Boston University	12.RD	338,949			338,949
Pass-Through Business Performance Group	12.RD	6,090			6,090
Pass-Through Calabazas Creek Research Inc.	12.RD	8,070			8,070
Pass-Through General Dynamics Robotics Systems	12.RD	450,583			450,583
Pass-Through General Physics	12.RD	151,606			151,606
Pass-Through Geo-Center, Inc.	12.RD	26,470			26,470
Pass-Through Honeywell Engines and Systems	12.RD	101,507			101,507
	12.N-00024-98-				
Pass-Through Johns Hopkins Applied Physics Lab	D8124	22,104			22,104
Pass-Through Johns Hopkins University	12.RD	570,610			570,610
Pass-Through Macro International, Inc.	12.RD	19,703			19,703
Pass-Through George Mason University	12.RD	280,686			280,686
Pass-Through Micro Analysis and Design, Inc.	12.RD	73,185			73,185
Pass-Through New Mexico State University	12.RD	153,929			153,929
Pass-Through Northrup-Grumman	12.RD	82,446			82,446
Pass-Through Production Technologies, Inc.	12.RD	286,610			286,610

State of Maryland
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002

Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance	Other Expenditures	Total Expenditures
Pass-Through Sverdrup Technologies, Inc.	12.RD	15,794			15,794
Pass-Through University of California at Berkeley	12.RD	30,930			30,930
Pass-Through University of Michigan	12.RD	102,716			102,716
Pass-Through University of Pennsylvania	12.RD	27,291			27,291
Pass-Through University of Pittsburgh	12.RD	12,915			12,915
Pass-Through University of Southern California	12.RD	79,300			79,300
Pass-Through Virginia Polytechnic Institute and State University	12.RD	(35,935)			(35,935)
Pass-Through VTEC Laboratories	12.RD	31,957			31,957
Total Pass-Through Department of the Navy, Office of Chief of Naval Research		4,796,948	-	-	4,796,948
Total Department of the Navy, Office of Chief of Naval Research		18,143,279	-	-	18,143,279
Department of the Air Force, Material Command	12.RD	4,450,742			4,450,742
National Security Agency	12.RD	11,521,472			11,521,472
Defense Advanced Research Projects Agency	12.RD	2,167,815			2,167,815
Pass-Through BAE Systems Lockheed Sanders, Inc.	12.RD	4,304			4,304
Pass-Through Brown University	12.RD	60,301			60,301
Pass-Through Johns Hopkins University Applied Physics Lab	12.RD	3			3
Pass-Through ITT Systems	12.RD	65,738			65,738
Pass-Through Purdue University	12.RD	113,785			113,785
Pass-Through Superconductor Technologies, Inc.	12.RD	31,298			31,298
Pass-Through TASC, Inc.	12.RD	22,310			22,310
Total Pass-Through Defense Advanced Research Projects Agency		297,739	-	-	297,739
Total Defense Advanced Research Projects Agency		2,465,554	-	-	2,465,554
Office of the Secretary of Defense	12.RD	1,570,607			1,570,607
Other Department of Defense	12.DCA 100-00D- 4008	1,129,500			1,129,500
Total DOD		47,150,244	-	12,178,721	59,328,965
13 <u>Central Intelligence Agency (CIA)</u>					
Central Intelligence Agency	13.RD	77,228			77,228
Pass-Through Mitre Corporation	13.RD	28,968			28,968
Pass-Through Mitre Corporation	13.RD	116,261			116,261
Total Pass-Through CIA		145,229	-	-	145,229
Total CIA		222,457	-	-	222,457
14 <u>Department of Housing & Urban Development (HUD)</u>					
Contract / Other	14 Unknown			91,695	91,695
Housing Counseling Assistance Program	14.169			22,054	22,054
Section 8 Project-Based Cluster: Section 8 New Construction and Substantial Rehabilitation	14.182			103,713,440	103,713,440
Lower Income Housing Assistance Program: Section 8 Moderate Rehabilitation	14.856			698,316	698,316
Total Section 8 Project-Based Cluster		-	-	104,411,756	104,411,756
Community Development Block Grants/Small Cities Program	14.219			2,452,766	2,452,766
Community Development Block Grants/State's Program	14.228			6,483,378	6,483,378
Supportive Housing Program	14.235			344,174	344,174
Supplemental Assistance for Facilities to Assist the Homeless	14.236			130,581	130,581
Historically Black Colleges and Universities Program	14.237			74,891	74,891

State of Maryland
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002

Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance	Other Expenditures	Total Expenditures
Shelter Plus Care	14.238			664,903	664,903
HOME Investment Partnerships Program	14.239			5,827,181	5,827,181
Housing Opportunities for Persons with AIDS	14.241			504,427	504,427
Community Development Block Grants/Economic Development Initiative	14.246	151,093			151,093
New Approach Anti-Drug Grants	14.312			1,274	1,274
Fair Housing Assistance Program: State and Local	14.401			147,868	147,868
General Research and Technology Activity	14.506			16,706	16,706
Section 8 Rental Voucher Program	14.855			8,597,843	8,597,843
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900			3,789,880	3,789,880
Community Planning and Development	14.RD	94,304			94,304
Office of Fair Housing and Equal Opportunity	14.RD	17,572			17,572
Office of Policy Development and Research	14.RD	318,335			318,335
Other Research and Development	14.RD	5,207			5,207
Total HUD		586,511	-	133,561,377	134,147,888
15 <u>Department of the Interior (DOI)</u>	15.1443CA3097012				
Contract / Other	00			15,205	15,205
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	15.250			558,286	558,286
Abandoned Mine Land Reclamation (AMLR) Program	15.252			1,070,058	1,070,058
Fish and Wildlife Cluster:					
Sport Fish Restoration	15.605			2,752,090	2,752,090
Wildlife Restoration	15.611			1,967,544	1,967,544
Total Fish and Wildlife Cluster		-	-	4,719,634	4,719,634
Endangered Species Conservation	15.612			61,000	61,000
Clean Vessel Act	15.616			384,405	384,405
Wildlife Conservation and Restoration	15.625			62,895	62,895
U.S. Geological Survey: Research and Data Acquisition	15.808			375,284	375,284
Historic Preservation Fund Grants-in-Aid	15.904			831,209	831,209
National Historic Landmark	15.912			18,172	18,172
Outdoor Recreation: Acquisition, Development and Planning	15.916			379,089	379,089
American Battlefield Protection	15.926			31,164	31,164
National Park Service	15.RD	95,744			95,744
Pass-Through University of Rhode Island	15.RD	32,570			32,570
Total National Park Service		128,314	-	-	128,314
U.S. Fish and Wildlife Service	15.RD	372,590			372,590
Pass-Through Pennsylvania Game Commission	15.RD	9,155			9,155
Pass-Through Southern Louisiana University	15.RD	6,487			6,487
Total Pass-Through U.S. Fish and Wildlife Service	15.RD	15,642	-	-	15,642
Total U.S. Fish and Wildlife Service	15.RD	388,232	-	-	388,232
Geological Survey	15.RD	170,740			170,740
Other Department of Interior - Research and Development	15.RD	455,387			455,387
Total DOI		1,142,673	-	8,506,401	9,649,074
16 <u>Department of Justice (DOJ)</u>	16.Unknown				
Contract / Other	16.007			912,347	912,347
State Domestic Preparedness Equipment Support Program	16.523			783,309	783,309
Juvenile Accountability Incentive Block Grants	16.525			5,330,723	5,330,723
Reduce Violent Crimes Against Women on Campus	16.540			186,390	186,390
Juvenile Justice and Delinquency Prevention: Allocation to States	16.541			1,066,174	1,066,174
Juvenile Justice and Delinquency Prevention: Special Emphasis	16.541			445,852	445,852

State of Maryland
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002

Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance	Other Expenditures	Total Expenditures
National Institute for Juvenile Justice and Delinquency Prevention	16.542			99,059	99,059
Missing Children's Assistance	16.543			109,774	109,774
Title V: Delinquency Prevention Program	16.548			1,238,422	1,238,422
National Criminal History Improvement Program (NCHIP)	16.554			138,933	138,933
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560			157,762	157,762
Crime Victim Assistance	16.575			7,160,349	7,160,349
Crime Victim Compensation	16.576			1,495,000	1,495,000
Byrne Formula Grant Program	16.579			13,186,519	13,186,519
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580			2,233,417	2,233,417
Drug Court Discretionary Grant Program	16.585			78,054	78,054
Violent Offender Incarceration and Truth in Sentencing Incentive Grants	16.586			13,907,526	13,907,526
Violence Against Women Formula Grants	16.588			2,601,686	2,601,686
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590			662,341	662,341
Managing Released Sex Offenders	16.591			15,641	15,641
Local Law Enforcement Block Grants Program	16.592			658,863	658,863
Residential Substance Abuse Treatment for State Prisoners	16.593			467,538	467,538
State Identification Systems Grant Program	16.598			23,600	23,600
Corrections: Training and Staff Development	16.601			59,872	59,872
Corrections: Research and Evaluation and Policy Formulation	16.602			215,939	215,939
State Criminal Alien Assistance Program	16.606			1,744,509	1,744,509
Bulletproof Vest Partnership Program	16.607			5,044	5,044
Public Safety Partnership and Community Policing Grants	16.710			220,944	220,944
Police Corps	16.712			3,364,061	3,364,061
Enforcing Underage Drinking Laws Program	16.727			672,351	672,351
Office of Justice Programs	16.RD	(216)			(216)
Pass-Through Howard University	16.RD	7,546			7,546
Pass-Through George Washington University	16.RD	12,484			12,484
Pass-Through University of Colorado	16.RD	91,670			91,670
Pass-Through University of Southern Maine	16.RD	51,748			51,748
Total Pass-Through Office of Justice Programs		163,448	-	-	163,448
Total Office of Justice Programs		163,232	-	-	163,232
National Institute of Justice	16.RD	9,388,468			9,388,468
Office of Community Oriented Policing Services	16.RD	39,378			39,378
Total DOJ		9,591,078	-	59,241,999	68,833,077
17 Department of Labor (DOL)					
Contract / Other	17 Unknown			798,506	798,506
Labor Force Statistics	17.002			904,955	904,955
Compensation and Working Conditions	17.005			160,626	160,626
Labor Certification for Alien Workers	17.203			1,555,776	1,555,776
Employment Service Cluster:					
Employment Service	17.207			15,770,637	15,770,637
Disabled Veterans' Outreach Program (DVOP)	17.801			1,850,346	1,850,346
Local Veterans' Employment Representative Program	17.804			1,263,004	1,263,004
Total Employment Service Cluster		-	-	18,883,987	18,883,987
Unemployment Insurance	17.225			611,202,168	611,202,168
Senior Community Service Employment Program	17.235			1,648,201	1,648,201
Employment Services and Job Training Pilots: Demonstration and Research	17.249			1,350,202	1,350,202
Trade Adjustment Assistance: Workers	17.245			531,131	531,131

State of Maryland
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002

Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance	Other Expenditures	Total Expenditures
Job Training Partnership Act (JTPA)	17.250			6,079,907	6,079,907
Welfare-to-Work Grants to States and Localities	17.253			7,932,788	7,932,788
Workforce Investment Act	17.255			11,427,723	11,427,723
WIA Cluster:					
WIA Adult Program	17.258			10,057,289	10,057,289
WIA Youth Activities	17.259			11,121,898	11,121,898
WIA Dislocated Workers	17.260			9,230,576	9,230,576
Total WIA Cluster		-	-	30,409,763	30,409,763
Occupational Safety and Health: State Program	17.503			3,626,553	3,626,553
Consultation Agreements	17.504			793,235	793,235
Employment and Training Administration	17.RD	134,663			134,663
Total DOL		134,663	-	697,305,521	697,440,184
19 <u>Department of State (DOS)</u>					
Special Domestic Assignments	19.202			68,786	68,786
Educational Exchange: NIS Secondary School Initiative	19.411			215,166	215,166
Bureau of Educational and Cultural Affairs	19.RD	15,712			15,712
Bureau of Personnel	19.RD	11,103			11,103
Total DOS		26,815	-	283,952	310,767
20 <u>Department of Transportation (DOT)</u>					
Contract / Other	20.Unknown			213,692	213,692
Anti-Icing System Research	20.003			103,494	103,494
Boating Safety Financial Assistance	20.005			1,501,704	1,501,704
Airport Improvement Program	20.106			13,129,428	13,129,428
Airway Science	20.107			319	319
Aviation Research Grants	20.108			6,446	6,446
Highway Planning and Construction Cluster:					
Highway Planning and Construction	20.205			561,028,589	561,028,589
Appalachian Development Highway System	23.003			982,527	982,527
Total Highway Planning and Construction Cluster		-	-	562,011,116	562,011,116
Highway Training and Education					
Highway Training and Education	20.215			21,594	21,594
Pass-Through South Carolina State University	20.215			36,082	36,082
Total Highway Training and Education		-	-	57,676	57,676
National Motor Carrier Safety	20.218			13,699,421	13,699,421
High Speed Ground Transportation: Next Generation High Speed Rail Program	20.312			3,122,003	3,122,003
Federal Transit Cluster:					
Federal Transit: Capital Investment Grants	20.500			61,519,311	61,519,311
Federal Transit: Formula Grants	20.507			84,345,403	84,345,403
Total Federal Transit Cluster		-	-	145,864,714	145,864,714
Federal Transit Grants for University Research and Training					
Federal Transit: Managerial Training Grants	20.502			88,907	88,907
Federal Transit: Metropolitan Planning Grants	20.503			75,429	75,429
Formula Grants for Other Than Urbanized Areas	20.505			5,598,957	5,598,957
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.509			2,678,465	2,678,465
Job Access: Reverse Commute	20.513			1,360,912	1,360,912
State and Community Highway Safety	20.516			2,710,476	2,710,476
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.600			982,367	982,367
Total Highway Safety Cluster	20.601			7,459	7,459
Total Highway Safety Cluster		-	-	989,826	989,826

State of Maryland
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002

Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance	Other Expenditures	Total Expenditures
Pipeline Safety	20.700			302,133	302,133
University Transportation Centers Program	20.701	1,689,720			1,689,720
Pass-Through South Carolina State University	20.701	(200)			(200)
Total University Transportation Centers Program		1,689,520	-	-	1,689,520
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703			195,988	195,988
Federal Aviation Administration	20.RD	291,521			291,521
Pass-Through University of California at Berkley	20.RD	(19,738)			(19,738)
Total Federal Aviation Administration		271,783			271,783
Federal Highway Administration	20.RD	20,001			20,001
Federal Motor Carrier Safety Administration	20.RD				-
Pass-Through Montana State University	20.RD	31,972			31,972
Pass-Through North Carolina University at Chapel Hill	20.RD	85,704			85,704
Pass-Through Professional Services Inc.	20.RD	54,180			54,180
Pass-Through Wichita State University	20.RD	39,999			39,999
Total Pass-Through Federal Motor Carrier Safety Administration		211,855	-	-	211,855
Total Federal Motor Carrier Safety Administration		211,855	-	-	211,855
Federal Transit Administration	20.RD	157,108			157,108
Pass-Through Baltimore Metropolitan Council	20.RD	200,707			200,707
Pass-Through National Cooperative Highway Research Program	20.RD	425,705			425,705
Total Pass-Through Federal Transit Administration		626,412	-	-	626,412
Total Federal Transit Administration		783,520	-	-	783,520
Research and Special Programs Administration	20.RD				-
Pass-Through Arizona State University	20.RD	6,178			6,178
Pass-Through Intelligent Automation	20.RD	(4,718)			(4,718)
Total Pass-Through Research and Special Programs Administration		1,460			1,460
Total DOT		2,978,139	-	753,711,106	756,689,245
21 <u>Department of Treasury (DOTR)</u>					
Community Development Financial Institutions Program	21.020			125,399	125,399
Internal Revenue Service	21.RD	31,523			31,523
Total DOTR		31,523	-	125,399	156,922
	22.3631990-02-P-				
22 <u>Postal Service: Contract / Other</u>	0026			4,556	4,556
23 <u>Appalachian Regional Council (ARC)</u>					
Appalachian Regional Development	23.001			19,706	19,706
Appalachian State Research, Technical Assistance and Demonstration Projects	23.011			98,545	98,545
Total ARC		-	-	118,251	118,251
30 <u>Equal Employment Opportunity Commission (EEOC)</u>					
Employment Discrimination: State and Local Fair Employment Practices Agency Contracts	30.002			572,898	572,898
Total EEOC		-	-	572,898	572,898
39 <u>General Services Administration (GSA)</u>					
Business Services	39.001			177,482	177,482
Donation of Federal Surplus Personal Property	39.003			846,470	846,470
Total GSA		-	-	1,023,952	1,023,952

State of Maryland
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002

Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance	Other Expenditures	Total Expenditures
43 <u>National Aeronautics and Space Administration (NASA)</u>					
Contract / Other	43.NAG5-11846			112	112
Aerospace Education Services Program	43.001			1,141,479	1,141,479
Aerospace Education Services Program	43.001	4,150,804			4,150,804
Pass-Through Diversified Career and Educational Services Program	43.001			29,007	29,007
Pass-Through Cuyahoga Community College	43.001	204,427			204,427
Total Pass-Through Aerospace Education Services Program		204,427	-	29,007	233,434
Total Aerospace Education Services Program		4,355,231	-	1,170,486	5,525,717
NASA	43.RD	72,533,745			72,533,745
Pass-Through ASM, Inc.	43.RD	36			36
Pass-Through California Institute of Technology	43.RD	544,956			544,956
Pass-Through Carnegie Institution	43.RD	35,983			35,983
Pass-Through Carnegie Mellon University	43.RD	83,485			83,485
Pass-Through Dartmouth College	43.RD	1,489			1,489
Pass-Through Duke University	43.NAG-3665	(2,855)			(2,855)
Pass-Through Georgia Institute of Technology	43.RD	76,570			76,570
Pass-Through Harvard University	43.RD	14,634			14,634
Pass-Through Jet Propulsion Lab	43.RD	827,429			827,429
Pass-Through Johns Hopkins University	43.RD	(2,158)			(2,158)
Pass-Through Johns Hopkins University/Applied Physics Lab	43.RD	80,839			80,839
Pass-Through L&M Technologies	43.RD	(52,753)			(52,753)
Pass-Through Lawrence Livermore National Laboratory	43.RD	2,874			2,874
Pass-Through Lockheed Martin Corporation	43.RD	36,155			36,155
Pass-Through Princeton University	43.RD	38,938			38,938
Pass-Through Raytheon Systems	43.RD	677,205			677,205
Pass-Through Raytheon Technical Services Company	43.RD	11,446			11,446
Pass-Through Simpson Weather Associates	43.RD	1,175			1,175
Pass-Through Smithsonian Institute	43.NAS8-39073	21,117			21,117
Pass-Through Southwest Research Institute	43.RD	89,007			89,007
Pass-Through Space Telescope Science Institute	43.RD	138,226			138,226
Pass-Through Space Telescope Science Institute	43.NAS5-26555	22,052			22,052
Pass-Through Systems Planning and Analysis	43.RD	12			12
Pass-Through Universities Space Research Association	43.NAS5-32337	(2,502)			(2,502)
Pass-Through Universities Space Research Association	43.NCC5-315	137,227			137,227
Pass-Through University of Arizona at Tucson	43.RD	29,834			29,834
Pass-Through University of California	43.RD	18,936			18,936
Pass-Through University of California at Berkley - Space Science Lab	43.RD	89,888			89,888
Pass-Through University of Washington	43.RD	8,602			8,602
Pass-Through University Research Corporation International	43.RD	309,052			309,052
Pass-Through University of Wisconsin	43.RD	852			852
Pass-Through West Virginia University	43.RD	702			702
Pass-Through Yale University	43.RD	31,117			31,117
Total Pass-Through NASA		3,269,570	-	-	3,269,570
Total NASA		75,803,315	-	-	75,803,315
Total NASA		80,158,546	-	1,170,598	81,329,144
45 <u>National Foundation on the Arts and Humanities (NFAH)</u>					
Contract / Other: Pass-Through University Research Corporation International	45.Unknown			14,556	14,556
Promotion of the Arts: Grants to Organizations and Individuals	45.024			24,581	24,581
Promotion of the Arts: Partnership Agreements	45.025			462,947	462,947
Promotion of the Humanities: Challenge Grants	45.130			203,262	203,262

State of Maryland
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002

Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance	Other Expenditures	Total Expenditures
Promotion of the Humanities: Division of Preservation and Access	45.149			58,961	58,961
Promotion of the Humanities: Education Development and Demonstration	45.162			(3,247)	(3,247)
Promotion of the Humanities: Seminars and Institutes	45.163			65,455	65,455
Promotion of the Humanities: Public Programs	45.164			60,493	60,493
Promotion of the Humanities: Extending the Reach Grants to Presidentially-Designated Minority Institutions	45.167			24,308	24,308
Institute of Museum and Library Services	45.301			39,263	39,263
Museum Assessment Program	45.302			2,150	2,150
State Library Program	45.310			2,751,182	2,751,182
Institute of Museum and Library Services: National Leadership Grants	45.312			147,947	147,947
National Endowment for the Humanities	45.RD	231,910			231,910
Pass-Through State of Virginia	45.RD	7,691			7,691
Total National Endowment for the Humanities		239,601	-	-	239,601
Total NFAH		239,601	-	3,851,858	4,091,459
47 National Science Foundation (NSF)					
Contract / Other	47.STI-9602743			950,000	950,000
Pass-Through Prince George's County, Maryland Board of Education	47.Unknown			4,200	4,200
Pass-Through University of Delaware	47.Unknown			57,411	57,411
Pass-Through Virginia Polytechnic Institute and State University	47.Unknown			16,463	16,463
Total Pass-Through 47.Unknown	47.Unknown	-	-	78,074	78,074
Engineering Grants	47.041	831,751		47,227	878,978
Pass-Through Howard University	47.041	139,836			139,836
Pass-Through Johns Hopkins University	47.041	18,000			18,000
Pass-Through Georgia Institute of Technology	47.041			6,733	6,733
Pass-Through George Washington University	47.041			154,740	154,740
Total Pass-Through Engineering Grants	47.041	157,836	-	161,473	319,309
Total Engineering Grants		989,587	-	208,700	1,198,287
Mathematical and Physical Sciences	47.049	51,991		316,345	368,336
Geosciences	47.050	13,202			13,202
Computer and Information Science and Engineering	47.070			(2,018)	(2,018)
Biological Sciences	47.074	45,297		834,918	880,215
Pass-Through Howard University	47.074			31	31
Pass-Through Institute of Ecosystem Studies	47.074			6,987	6,987
Total Pass-Through Biological Sciences	47.074	-	-	7,018	7,018
Total Biological Sciences	47.074	45,297	-	841,936	887,233
Social, Behavioral, and Economic Sciences	47.075			21,328	21,328
Pass-Through American Distance Education Consortium	47.075			23,282	23,282
Total Social, Behavioral, and Economic Sciences		-	-	44,610	44,610
Education and Human Resources	47.076	135,610		3,959,855	4,095,465
Pass-Through Community College of Baltimore	47.076			11,514	11,514
Total Education and Human Resources		135,610	-	3,971,369	4,106,979
National Science Foundation (NSF)	47.RD	41,503,675			41,503,675
Pass-Through Boston University	47.RD	64,756			64,756
Pass-Through Carnegie Mellon University	47.RD	31,439			31,439
Pass-Through Cornell University	47.RD	31,257			31,257
Pass-Through Duke University	47.RD	21,845			21,845
Pass-Through Georgia Institute of Technology/Tech	47.RD	60,429			60,429

State of Maryland
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002

Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance	Other Expenditures	Total Expenditures
Pass-Through Johns Hopkins University	47.RD	77,710			77,710
Pass-Through Johns Hopkins University / Applied Physics Lab	47.RD	49,716			49,716
Pass-Through Howard University	47.RD	22,382			22,382
Pass-Through Institute of Ecosystem Studies	47.RD	63,630			63,630
Pass-Through Kansas State University	47.RD	31,465			31,465
Pass-Through Louisiana State University	47.RD	131,832			131,832
Pass-Through Michigan State University	47.RD	73,008			73,008
Pass-Through National Research Council	47.RD	(39)			(39)
Pass-Through North Carolina A&T State University	47.RD	112,044			112,044
Pass-Through Purdue University	47.RD	22,863			22,863
Pass-Through Rutgers University	47.RD	49,171			49,171
Pass-Through State of South Carolina	47.RD	21,435			21,435
Pass-Through Texas A&M Sub Grant	47.RD	377			377
Pass-Through University of Arizona	47.RD	178			178
Pass-Through University of California, San Diego	47.RD	606,687			606,687
Pass-Through University of North Carolina at Chapel Hill	47.RD	90			90
Pass-Through University of Illinois at Urbana-Champaign	47.RD	2,840			2,840
Pass-Through University of Nebraska	47.RD	24,102			24,102
Pass-Through University of Pennsylvania	47.RD	5,742			5,742
Pass-Through University of Western Michigan	47.RD	57,017			57,017
Total Pass-Through NSF	47.RD	1,561,976	-	-	1,561,976
Total NSF	47.RD	43,065,651	-	-	43,065,651
Total NSF		44,301,338	-	6,409,016	50,710,354
59 <u>Small Business Administration (SBA)</u>					
Small Business Development Center	59.037			1,347,174	1,347,174
SBA – Research and Development	59.RD	37,417			37,417
Total SBA		37,417	-	1,347,174	1,384,591
64 <u>Veterans Administration (VA)</u>					
Grants to States for Construction of State Home Facilities	64.005			3,839,543	3,839,543
Burial Expenses Allowance for Veterans	64.101			316,026	316,026
Veterans Housing: Manufactured Home Loans	64.119			164,797	164,797
Vocational and Educational Counseling for Servicemembers and Veterans	64.125			257,777	257,777
Veterans Benefits Administration – Research and Development	64.RD	2,080			2,080
Veterans Health Administration – Research and Development	64.RD	6,076,227			6,076,227
Total VA		6,078,307	-	4,578,143	10,656,450
66 <u>Environmental Protection Agency (EPA)</u>					
Contract / Other	66.Unknown			37,934	37,934
Air Pollution Control Program Support	66.001			3,667,460	3,667,460
Water Pollution Control: State and Interstate Program Support	66.419			2,172,060	2,172,060
State Public Water System Supervision	66.432			1,418,487	1,418,487
State Underground Water Source Protection	66.433			120,569	120,569
Construction Management Assistance	66.438			294,972	294,972
Water Quality Management Planning	66.454			514,480	514,480
Capitalization Grants for State Revolving Fund	66.458			759,724	759,724
Nonpoint Source Implementation Grants	66.460			2,726,176	2,726,176
Wetlands Grants	66.461			238,692	238,692
Water Quality Cooperative Agreements	66.463			98,777	98,777
Chesapeake Bay Program	66.466			4,426,650	4,426,650
Capitalization Grants for Drinking Water State Revolving Fund	66.468			2,047,776	2,047,776
Environmental Protection Consolidated Research	66.500			150,094	150,094

State of Maryland
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002

Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance	Other Expenditures	Total Expenditures
Water Pollution Control: Research, Development, and Demonstration	66.505			71,024	71,024
Surveys, Studies, Investigations and Special Purpose Grants	66.606			845,081	845,081
Training and Fellowships for the Environmental Protection Agency	66.607			16,556	16,556
State Information Grants	66.608			234,882	234,882
Children's Health Protection	66.609			361	361
Consolidated Pesticide Enforcement Cooperative Agreements	66.700			699,140	699,140
Toxic Substances Compliance Monitoring Cooperative Agreement	66.701			115,442	115,442
TSCA Title IV State Lead Grants: Certification of Lead-Based Paint Professionals	66.707			378,901	378,901
Pollution Prevention Grants Program	66.708			92,571	92,571
Capacity Building Grants and Co-operative Agreements for States and Tribes	66.709			3,251	3,251
Hazardous Waste Management State Program Support	66.801			1,808,702	1,808,702
Superfund State, Political Subdivision, and Indian Tribe Site: Specific Cooperative Agreements	66.802			1,264,703	1,264,703
State and Tribal Underground Storage Tanks Program	66.804			197,712	197,712
Leaking Underground Storage Tank: Trust Fund	66.805			1,553,595	1,553,595
Superfund State and Indian Tribe Core Program: Cooperative Agreements	66.809			394,315	394,315
Brownfield Pilots Cooperative Agreements	66.811			15,868	15,868
Environmental Education and Training Program	66.950			1,994	1,994
Environmental Education Grants	66.951			160,186	160,186
Pass-Through the GEM Consortium	66.951			(6,311)	(6,311)
Total Environmental Education Grants		-	-	153,875	153,875
Office of Administration	66.RD	220,894			220,894
Pass-Through Virginia Department of Conservation and Recreation - Soil	66.RD	7,729			7,729
Total Office of Administration		228,623	-	-	228,623
Office of Research and Development	66.RD	6,134,617			6,134,617
Pass-Through Colorado River Indian Tribes	66.RD	4,117			4,117
Pass-Through District of Columbia - Department of Health	66.RD	9,691			9,691
Pass-Through Harvard University	66.RD	28,432			28,432
Pass-Through Pennsylvania State University	66.RD	243,807			243,807
Pass-Through Tufts University	66.RD	160,638			160,638
Pass-Through University of Connecticut	66.RD	1,740			1,740
Pass-Through University of Delaware	66.RD	27,492			27,492
Pass-Through Virginia Department of Conservation and Recreation - Soil	66.RD	42,949			42,949
Total Pass-Through Office of Research and Development		518,866	-	-	518,866
Total Office of Research and Development		6,653,483	-	-	6,653,483
Office of Enforcement and Compliance Assurance	66.RD	297,838			297,838
Office of Water	66.RD	114,382			114,382
Total EPA		7,294,326	-	26,521,824	33,816,150
77 <u>National Regulatory Commission (NRC)</u>					
Other National Regulatory Commission – Research and Development	77.RD	558,653			558,653
Pass-Through Purdue University	77.RD	112,777			112,777
Total National Regulatory Commission		671,430	-	-	671,430
Total NRC		671,430	-	-	671,430

State of Maryland
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002

Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance	Other Expenditures	Total Expenditures
81 <u>Department of Energy (DOE)</u>					
National Energy Information Center	81.039			10,000	10,000
State Energy Program	81.041			1,083,914	1,083,914
Weatherization Assistance for Low-Income Persons	81.042			1,808,059	1,808,059
Office of Science Financial Assistance Program	81.049			(20,531)	(20,531)
Energy Conservation for Institutional Buildings	81.052			20,000	20,000
University Coal Research	81.057	378,660			378,660
Pass-Through from North Carolina A & T University	81.057	6,084			6,084
Total University Coal Research		384,744	-	-	384,744
Conservation Research and Development	81.086			15,654	15,654
Renewable Energy Research and Development	81.087			45,353	45,353
Pass-Through Southeastern Universities Research Association (SURA)	81.087			8,063	8,063
Total Renewable Energy Research and Development		-	-	53,416	53,416
University Nuclear Science and Reactor Support	81.114			(6,733)	(6,733)
Energy Efficiency and Renewable Energy Information Dissemination Outreach, Training and Technical Analysis/Assistance	81.117			18,151	18,151
Other Department of Energy – Research and Development	81.RD	9,372,589			9,372,589
Pass-Through Argonne National Lab	81.RD	12,286			12,286
Pass-Through Battelle Corporation	81.RD	443,844			443,844
Pass-Through Calabazas Creek Research, Inc.	81.RD	13,114			13,114
Pass-Through Carnegie Mellon University	81.RD	123,525			123,525
Pass-Through Fermilab	81.RD	414,287			414,287
Pass-Through General Atomics	81.RD	28,397			28,397
Pass-Through Institute for Genomic Research	81.RD	54,212			54,212
Pass-Through Iowa State University	81.RD	(10,484)			(10,484)
Pass-Through Lawrence Livermore National Laboratory	81.RD	(1,853)			(1,853)
Pass-Through National Renewable Energy Lab (NREL)	81.RD	6,835			6,835
Pass-Through Oregon State University	81.RD	36,678			36,678
Pass-Through Research Foundation of State University of New York	81.RD	12,640			12,640
Pass-Through Rutgers University	81.RD	16,110			16,110
Pass-Through TR Research	81.RD	50,271			50,271
Pass-Through UES	81.RD	25,000			25,000
Pass-Through University of California Lawrence Livermore Lab	81.RD	41,255			41,255
Pass-Through University of Tennessee	81.RD	5,203			5,203
Pass-Through University of Wisconsin	81.RD	282,699			282,699
Pass-Through Virginia Department of Education	81.RD	(4,845)			(4,845)
Total Pass-Through Other Department of Energy – Research and Development		1,549,174	-	-	1,549,174
Total Other Department of Energy – Research and Development		10,921,763	-	-	10,921,763
Total DOE		11,306,507	-	2,981,930	14,288,437
82 United States Information Agency					
Pass-Through Institute of International Education	82.Unknown			38,966	38,966
83 <u>Federal Emergency Management Agency (FEMA)</u>					
National Fire Academy Educational Program	83.010			16,617	16,617
Hazardous Materials Assistance Program	83.012			5,000	5,000
Community Assistance Program: State Support Services Element (CAP-SSSE)	83.105			107,750	107,750
Emergency Management – State and Local Assistance	83.534			60,876	60,876
Flood Mitigation Assistance	83.536			199,229	199,229

State of Maryland
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002

Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance	Other Expenditures	Total Expenditures
Crisis Counseling	83.539			166,526	166,526
Individual and Family Grants	83.543			14,466	14,466
Public Assistance Grants	83.544			3,254,181	3,254,181
Hazard Mitigation Grant	83.548			1,577,916	1,577,916
Chemical Stockpile Emergency Preparedness Program	83.549			1,187,320	1,187,320
Emergency Management Performance Grants	83.552			2,649,389	2,649,389
State Fire Training Systems Grants	83.553			30,881	30,881
FEMA – Research and Development	83.RD	128,506			128,506
Total FEMA		128,506	-	9,270,151	9,398,657
84 Department of Education (DED)					
DED Contract / Other: Pass-Through Lower Shore Private Council	84.LS-038-01			36,856	36,856
DED Contract / Other: Pass-Through Lower Shore Private Council	84.LS-038-2000			9,889	9,889
Total Contract / Other		-	-	46,745	46,745
Adult Education: State Grant Program	84.002			8,711,701	8,711,701
Civil Rights Training and Advisory Services	84.004			280,815	280,815
Education of Handicapped Children in State Operated or Supported Schools	84.009			127,742	127,742
Title I Grants to Local Educational Agencies	84.010			121,306,837	121,306,837
Migrant Education: State Grant Program	84.011			483,341	483,341
Title I Program for Neglected and Delinquent Children	84.013			1,643,269	1,643,269
International: Overseas: Group Projects Abroad	84.021			44,134	44,134
Deaf-Blind Centers	84.025			105,347	105,347
Special Education Cluster:					
Special Education: Grants to States	84.027			115,408,032	115,408,032
Special Education: Preschool Grants	84.173			7,066,473	7,066,473
Total Special Education Cluster		-	-	122,474,505	122,474,505
Public Library Services	84.034			14,222	14,222
Loan Cancellations	84.037		30,430		30,430
Federal Supplemental Educational Opportunity Grants	84.007		7,024,542		7,024,542
Federal Family Educational Loans	84.032		173,460,408		173,460,408
Federal Work-Study Program	84.033		4,421,310		4,421,310
Federal Perkins Loan Program: Federal Capital Contributions	84.038		68,669,986		68,669,986
Federal Pell Grant Program	84.063		63,969,506		63,969,506
Federal Direct Student Loans	84.268		173,266,416		173,266,416
TRIO Cluster:					
TRIO: Student Support Services	84.042			2,257,507	2,257,507
TRIO: Talent Search	84.044			620,589	620,589
TRIO: Upward Bound	84.047			3,139,563	3,139,563
TRIO: Educational Opportunity Centers	84.066			195,526	195,526
TRIO: McNair Post – Baccalaureate Achievement	84.217			983,574	983,574
Total TRIO Cluster		-	-	7,196,759	7,196,759
Higher Education: Institutional Aid	84.031			8,529,137	8,529,137
Pass-Through Johns Hopkins University	84.031			8,735	8,735
Total Higher Education: Institutional Aid		-	-	8,537,872	8,537,872
Vocational Education: Basic Grants to States	84.048			15,771,666	15,771,666
Leveraging Educational Assistance Partnership	84.069			552,326	552,326
Fund for the Improvement of Postsecondary Education	84.116			137,667	137,667
Minority Science and Engineering Improvement	84.120			95,229	95,229
Rehabilitation Services: Vocational Rehabilitation Grants to States	84.126			36,848,645	36,848,645
Rehabilitation Long-Term Training	84.129			336,265	336,265

State of Maryland
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002

Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance	Other Expenditures	Total Expenditures
National Institute on Disability and Rehabilitation					
Research	84.133			328,852	328,852
Library Services and Construction Act: Construction	84.154			180	180
Secondary Education and Transitional Services for Youth with Disabilities	84.158			266,957	266,957
Rehabilitation Services: Client Assistance Program	84.161			204,261	204,261
Immigrant Education	84.162			1,977,334	1,977,334
Eisenhower Mathematics and Science Education: State Grants	84.164			1,972,572	1,972,572
Eisenhower Professional Development: Federal Activities	84.168			(571)	(571)
Independent Living: State Grants	84.169			477,123	477,123
Rehabilitation Services: Independent Living Services for Older Individuals Who Are Blind	84.177			502,601	502,601
Special Education: Grants for Infants and Families with Disabilities	84.181			6,530,691	6,530,691
Byrd Honors Scholarships	84.185			628,467	628,467
Safe and Drug-Free Schools and Communities: State Grants	84.186			7,765,177	7,765,177
Supported Employment Services for Individuals with Severe Disabilities	84.187			899,409	899,409
Bilingual Education Support Services	84.194			122,815	122,815
Bilingual Education: Professional Development	84.195			519,823	519,823
Education for Homeless Children and Youth	84.196			357,497	357,497
Graduate Assistance in Areas of National Need	84.200			292,081	292,081
Star Schools	84.203			2,538,861	2,538,861
Javits Gifted and Talented Students Education Grant Program	84.206			134,555	134,555
Even Start: State Educational Agencies	84.213			2,091,529	2,091,529
Fund for the Improvement of Education	84.215			293,525	293,525
Capital Expenses	84.216			89,277	89,277
Assistive Technology	84.224			1,439,963	1,439,963
Rehabilitation Services Demonstration and Training: Special Demonstration Programs	84.235			15,058	15,058
Tech-Prep Education	84.243			1,329,909	1,329,909
Literacy Programs for Prisoners	84.255			145,290	145,290
Rehabilitation Training: Continuing Education	84.264			639,081	639,081
Rehabilitation Training: State Vocational Rehabilitation Unit					
In-Service Training	84.265			(2,075)	(2,075)
Goals 2000: State and Local Education Systemic Improvement Grants	84.276			7,032,358	7,032,358
Eisenhower Professional Development State Grants	84.281			6,297,413	6,297,413
Innovative Education Program Strategies	84.298			5,820,777	5,820,777
Regional Technology in Education Consortia: Pass-Through Temple University	84.302			97,996	97,996
Technology Innovation Challenge Grants	84.303			6,161	6,161
Pass-Through Baltimore City, Maryland Public Schools	84.303			(563)	(563)
Total Technology Innovation Challenge Grants		-	-	5,598	5,598
Even Start: Statewide Family Literacy Program	84.314			104,656	104,656
Technology Literacy Challenge Fund Grants	84.318			5,791,894	5,791,894
Special Education: State Program Improvement Grants for Children with Disabilities	84.323			1,021,111	1,021,111
Special Education: Research and Innovation to Improve Services and Results for Children with Disabilities	84.324			160,222	160,222
Special Education: Personnel Preparation to Improve Services and Results for Children with Disabilities	84.325			1,451,076	1,451,076
Special Education: Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326			352,932	352,932
Advanced Placement Program	84.330			510,095	510,095

State of Maryland
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002

Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance	Other Expenditures	Total Expenditures
Grants to States for Incarcerated Youth Offenders	84.331			439,490	439,490
Comprehensive School Reform Demonstration	84.332			1,980,931	1,980,931
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334			4,195,652	4,195,652
Teacher Quality Enhancement Grants	84.336			1,253,338	1,253,338
Pass-Through Columbia University	84.336			25,222	25,222
Total Teacher Quality Enhancement Grants		-	-	1,278,560	1,278,560
Reading Excellence	84.338			5,127,868	5,127,868
Learn Anytime Anywhere Partnerships	84.339			408,484	408,484
Class Size Reduction	84.340			23,257,367	23,257,367
Community Technology Centers	84.341			177,991	177,991
Preparing Tomorrow's Teachers to Use Technology	84.342			1,674,455	1,674,455
Occupation and Employment Information State Grants	84.346			84,783	84,783
Title I Accountability Grants	84.348			2,774,560	2,774,560
School Renovation Grants	84.352			962,155	962,155
NAEP Secondary Analysis Program	84.902			(7,789)	(7,789)
National Writing Project: Pass-Through University of California National Writing Project	84.928			30,755	30,755
Educational Research and Improvement	84.RD	2,590,006			2,590,006
Pass-Through City University of New York	84.RD	107			107
Total Educational Research and Improvement		2,590,113	-	-	2,590,113
Postsecondary Education	84.RD	1,601,388			1,601,388
Pass-Through Eugene Research Institute	84.RD	64,911			64,911
Pass-Through University of Oregon	84.RD	2,340			2,340
Total Pass-Through Postsecondary Education		67,251	-	-	67,251
Total Postsecondary Education		1,668,639	-	-	1,668,639
Special Education and Rehabilitative Services	84.RD	1,816,392			1,816,392
Pass-Through National Association of State Boards of Education (NASBE)	84.RD	23,392			23,392
Pass-Through Prince George's County, Maryland	84.RD	8,393			8,393
Pass-Through Vanderbilt University	84.RD	179,018			179,018
Total Pass-Through Special Education and Rehabilitative Services		210,803	-	-	210,803
Total Special Education and Rehabilitative Services		2,027,195	-	-	2,027,195
Total DED		6,285,947	490,842,598	427,306,719	924,435,264
87 <u>Consumer Product Safety Commission</u>	87.Unknown	2,111			2,111
89 <u>National Archives and Records Administration</u>					
National Archives and Records Administration – Research and Development	89.RD	183,408			183,408
Total National Archives and Records Administration		183,408	-	-	183,408
93 <u>United States Institute of Peace</u>					
Unsolicited Grant Program	91.001			12,388	12,388
Total United States Institute of Peace		-	-	12,388	12,388
93 <u>Department of Health & Human Services (HHS)</u>					
Contract / Other	93.Unknown			1,297,704	1,297,704
Contract / Other	93.213-00-0005			1,088,247	1,088,247
Pass-Through National Youth Sports Program	93.YNSPF-184			59,142	59,142
Total Contract / Other		-	-	2,445,093	2,445,093
Public Health and Social Services Emergency Fund	93.003			141,661	141,661
Special Programs for the Aging: Title III, Part D: Disease Prevention and Health Promotion Services	93.043			375,386	375,386

State of Maryland
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002

Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance	Other Expenditures	Total Expenditures
Aging Cluster:					
Special Programs for the Aging: Title III, Part B: Grants for Supportive Services and Senior Centers	93.044			7,200,899	7,200,899
Special Programs for the Aging: Title III, Part C: Nutrition Services	93.045			9,391,530	9,391,530
Total Aging Cluster		-	-	16,592,429	16,592,429
Special Programs for the Aging: Title IV and Title II:					
Discretionary Projects	93.048			290,327	290,327
National Family Caregiver Support Program	93.052			2,389,665	2,389,665
Food and Drug Administration: Research	93.103			139,292	139,292
Bilingual/Bicultural Service Demonstration Grants:					
Pass-Through Minority Health Professional Foundation Health	93.105	97,637			97,637
Minority International Research Training Grant in the Biomedical and Behavioral Sciences:					
Pass-Through American Psychological Association	93.106			21,648	21,648
Maternal and Child Health Federal Consolidated Programs	93.110			269,383	269,383
Biological Response to Environmental Health Hazards	93.113			457,483	457,483
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116			1,636,255	1,636,255
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118			211,457	211,457
Mental Health Planning and Demonstration Projects	93.125			373,065	373,065
Emergency Medical Services for Children	93.127			205,100	205,100
Primary Care Services: Resource Coordination and Development	93.130			302,553	302,553
Injury Prevention and Control Research and State and Community Based Programs	93.136			214,687	214,687
Community Programs to Improve Minority Health Grant Programs	93.137			179,492	179,492
NIEHS Hazardous Waste Worker Health and Safety Training	93.142			408,042	408,042
Projects for Assistance in Transition from Homelessness (PATH)	93.150			385,989	385,989
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153			1,198,028	1,198,028
Grants for State Loan Repayment	93.165			320,000	320,000
Research related to Deafness and Communication Disorders	93.173			260,231	260,231
Quentin N. Burdick Programs for Rural Interdisciplinary Training					
Pass-Through Western Maryland Area Health Education Center	93.192			(306)	(306)
Total Quentin N. Burdick Programs for Rural Interdisciplinary Training		-	-	3,900	3,900
Childhood LeadPoisoning Prevention Projects: State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children					
Family Planning: Services	93.197			780,858	780,858
National Research Service Awards: Health Services Research Training	93.217			4,051,493	4,051,493
	93.225			17,972	17,972
Research on Healthcare Costs, Quality and Outcomes	93.226	4,599,531			4,599,531
Pass-Through on Kennedy Institute	93.226	15,546			15,546
Total Research on Healthcare Costs, Quality and Outcomes		4,615,077	-	-	4,615,077

State of Maryland
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002

Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance	Other Expenditures	Total Expenditures
Consolidated Knowledge Development and Application (KD&A) Program	93.230			1,027,671	1,027,671
Pass-Through Virginia Commonwealth University	93.230			(83)	(83)
Total Consolidated Knowledge Development and Application (KD&A) Program		-	-	1,027,588	1,027,588
Traumatic Brain Injury: State Demonstration Grant Program	93.234			200,000	200,000
Abstinence Education	93.235			541,527	541,527
Pass-Through Howard University	93.235			97,550	97,550
Total Abstinence Education		-	-	639,077	639,077
Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement	93.238			457,625	457,625
Policy Research and Evaluation Grants	93.239			23,069	23,069
State Rural Hospital Flexibility Program	93.241			193,818	193,818
Public Health Training Centers Grant Program	93.249			244,298	244,298
Universal Newborn Hearing Screening	93.251			5,066	5,066
Immunization Grants	93.268			4,084,627	4,084,627
Drug Abuse Research Programs: Pass-Through Louisiana State University	93.279			39,247	39,247
Mental Health National Research Service Awards for Research Training	93.282			140,730	140,730
Centers for Disease Control and Prevention: Investigations and Technical Assistance	93.283			7,997,016	7,997,016
Minority Biomedical Research Support	93.375				-
Pass-Through Johns Hopkins University	93.375	185,426			185,426
Pass-Through Howard University	93.375	25,265			25,265
Pass-Through the City of Baltimore	93.375	1,098,362			1,098,362
Total Minority Biomedical Research Support		1,309,053	-	-	1,309,053
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	93.342		12,091,926		12,091,926
Advanced Education Nursing Traineeships	93.358			508,779	508,779
Nursing Student Loans	93.364		1,997,332		1,997,332
Cancer Research Manpower	93.398			12,508	12,508
Promoting Safe and Stable Families	93.556			3,871,542	3,871,542
Temporary Assistance for Needy Families	93.558			274,360,760	274,360,760
Family Support Payments to States: Assistance Payments (AFDC)	93.560			66,254	66,254
Child Support Enforcement	93.563			67,981,230	67,981,230
Refugee and Entrant Assistance: State Administered Programs	93.566			3,127,790	3,127,790
Low-Income Home Energy Assistance (LIHEAP)	93.568			19,813,717	19,813,717
Community Services Block Grant (CSBG)	93.569			9,521,690	9,521,690
Community Services Block Grant Discretionary Awards: Community Food and Nutrition	93.571			51,237	51,237
Child Care Cluster:					
Child Care and Development Block Grant (CCDF)	93.575			38,582,305	38,582,305
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596			79,517,366	79,517,366
Total Child Care Cluster		-	-	118,099,671	118,099,671
Refugee and Entrant Assistance: Discretionary Grants	93.576			1,152,651	1,152,651
Empowerment Zones Program	93.585			15,137,102	15,137,102
Family Violence Prevention and Services/Grants for Battered Women's Shelters: Grants to State Domestic Violence Coalitions: Pass-Through Central State University	93.591	(145,756)			(145,756)

State of Maryland
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002

Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance	Other Expenditures	Total Expenditures
Welfare Reform Research, Evaluations and National Studies	93.595			49,032	49,032
Grants to States for Access and Visitation Programs	93.597			166,000	166,000
Head Start	93.600			3,783,209	3,783,209
Pass-Through the City of Baltimore	93.600			1,052,350	1,052,350
Total Head Start		-	-	4,835,559	4,835,559
Adoption Incentive Payments	93.603			350,345	350,345
Runaway and Homeless Youth	93.623			163,484	163,484
Developmental Disabilities Basic Support and Advocacy Grants	93.630			1,005,218	1,005,218
Children's Justice Grants to States	93.643			3,188	3,188
Child Welfare Services: State Grants	93.645			4,342,621	4,342,621
Social Services Research and Demonstration	93.647			16,338	16,338
Foster Care: Title IV-E	93.658			134,724,537	134,724,537
Adoption Assistance	93.659			120,641	120,641
Social Services Block Grant (SSBG)	93.667			54,735,470	54,735,470
Child Abuse and Neglect State Grants	93.669			544,037	544,037
Child Abuse and Neglect Discretionary Activities	93.670			6,352	6,352
Family Violence Prevention and Services / Grants for Battered Women's Shelters: Grants to States and Indian Tribes	93.671			1,579,785	1,579,785
Chafee Foster Care Independent Living (CFCIP)	93.674			2,283,635	2,283,635
State Children's Insurance Program (SCHIP)	93.767			107,439,934	107,439,934
Medicaid Cluster:					
State Medicaid Fraud Control Units	93.775			1,267,595	1,267,595
State Survey and Certification of Health Care Providers and Suppliers	93.777			4,369,839	4,369,839
Medical Assistance Program (Medicaid)	93.778			1,903,852,503	1,903,852,503
Pass-Through Actuarial Research Program	93.778			19,994	19,994
Total Medicaid Cluster		-	-	1,909,509,931	1,909,509,931
Centers for Medicare and Medicaid Services (CMS)					
Research, Demonstrations and Evaluations	93.779			682,816	682,816
Repartriation	93.814			(1,639)	(1,639)
Health Careers Opportunity Program: Pass-Through Western Maryland Area Health Education Program	93.822			9,527	9,527
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853			71,973	71,973
Microbiology and Infectious Diseases Research: Pass-Through Univeristy of Florida	93.856			51,807	51,807
Genetics and Developmental Biology Research and Research Training	93.862			17,954	17,954
Center for Research for Mothers and Children	93.865	145,551		38,648	184,199
Aging Research	93.866			123,385	123,385
Minority Access to Research Careers	93.880			14,967	14,967
Grants to States for Operation of Offices of Rural Health	93.913			84,193	84,193
HIV Care Formula Grants	93.917			23,158,830	23,158,830
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919			4,166,479	4,166,479
HIV Prevention Activities: Health Department Based	93.940			12,848,857	12,848,857
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance Assistance Programs for Chronic Disease Prevention and Control	93.944			1,427,700	1,427,700
Demonstration Grants to States with Respect to Alzheimer's Disease	93.945			(15,011)	(15,011)
Block Grants for Community Mental Health Services	93.951			1,018	1,018
	93.958			7,215,664	7,215,664

State of Maryland
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002

Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance	Other Expenditures	Total Expenditures
Block Grants for Prevention and Treatment of Substance Abuse	93.959			30,671,200	30,671,200
Pass-Through Baltimore Substance Abuse System, Inc.	93.959	(125)			(125)
Total Block Grants for Prevention and Treatment of Substance Abuse		(125)	-	30,671,200	30,671,075
Special Minority Initiatives	93.960			90,906	90,906
Preventive Health Services: Sexually Transmitted Diseases Control Grants	93.977			1,320,987	1,320,987
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988			267,790	267,790
Preventive Health and Health Services Block Grant	93.991			2,727,468	2,727,468
Maternal and Child Health Services Block Grant to the States Agency for Health Care Policy and Research	93.994 93.RD	208,256		12,213,211	12,213,211 208,256
Center for Disease Control	93.RD	303,083			303,083
Pass-Through Albert Einstein Health Care Network	93.RD	941			941
Pass-Through Johns Hopkins University	93.RD	1,690			1,690
Total Pass-Through Center for Disease Control		2,631	-	-	2,631
Total Center for Disease Control		305,714	-	-	305,714
Food and Drug Administration	93.RD	2,727,274			2,727,274
Health Resources and Services Administration	93.RD				-
Pass-Through Howard University	93.RD	82,936			82,936
Pass-Through University of North Carolina at Chapel Hill	93.RD	10,759			10,759
Total Health Resources and Services Administration		93,695	-	-	93,695
National Institutes of Health	93.RD	143,482,364			143,482,364
Pass-Through Baltimore City, Maryland	93.RD	716,468			716,468
Pass-Through University of Florida	93.RD	(13,581)			(13,581)
Pass-Through Harvard University	93.RD	9,749			9,749
Pass-Through Johns Hopkins University	93.RD	2,920			2,920
Pass-Through Johnson Bassin & Shaw, Inc.	93.RD	170,565			170,565
Pass-Through Kennedy Krieger Institute	93.RD	3,066			3,066
Pass-Through Louisiana State University	93.RD	1,393			1,393
Pass-Through Lyntech, Inc.	93.RD	27,716			27,716
Pass-Through Oregon Health Sciences	93.RD	45,333			45,333
Pass-Through University of California, San Francisco	93.RD	(270)			(270)
Pass-Through University of Illinois	93.RD	255,391			255,391
Pass-Through University of Kansas	93.RD	4,293			4,293
Pass-Through University of Minnesota	93.RD	26,964			26,964
Pass-Through University of New Jersey, School of Medicine & Dentistry	93.RD	38,423			38,423
Pass-Through University of North Carolina at Chapel Hill	93.RD	4,499			4,499
Pass-Through University of Pennsylvania	93.RD	133,828			133,828
Pass-Through University of Rhode Island	93.RD	6,551			6,551
Pass-Through University of Texas	93.RD	3,958			3,958
Pass-Through University of Utah	93.RD	201,668			201,668
Pass-Through University of Washington	93.RD	15,990			15,990
Pass-Through Wake Forest University	93.RD	148,184			148,184
Total Pass-Through National Institutes of Health		1,803,108	-	-	1,803,108
Total National Institutes of Health		145,285,472	-	-	145,285,472

State of Maryland
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002

Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance	Other Expenditures	Total Expenditures
Administration for Children and Families	93.RD	94,950			94,950
Pass-Through Baltimore City, Maryland	93.RD	(10,276)			(10,276)
Pass-Through University of Pittsburgh	93.RD	63,225			63,225
Pass-Through Center for Adoption Support and Education Inc.	93.RD	64,705			64,705
Total Pass-Through Administration for Children and Families		117,654	-	-	117,654
Total Administration for Children and Families		212,604	-	-	212,604
Centers for Medicare and Medicaid Services	93.RD	21,198			21,198
Substance Abuse and Mental Health Services Administration	93.RD	131,100			131,100
Other Research and Development: Pass-Through Columbia University	93.RD	314,624			314,624
Total HHS		155,321,374	14,089,258	2,881,493,418	3,050,904,050
94 <u>Corporation for National and Community Service (CNCS)</u>					
State Commissions	94.003			69,544	69,544
Learn and Serve America: School and Community Based Programs	94.004			65,965	65,965
AmeriCorps	94.006			8,510,189	8,510,189
Planning and Program Development Grants	94.007			132,851	132,851
Training and Technical Assistance	94.009			136,853	136,853
Volunteers in Service to America (VISTA)	94.013			14,338	14,338
Learn and Serve America: Higher Education	94.005			402,950	402,950
Foster Grandparent Program	94.011			278,398	278,398
Total CNCS		-	-	9,611,088	9,611,088
96 <u>Social Security Administration (SSA)</u>					
Social Security: Disability Insurance	96.001			20,825,833	20,825,833
Supplemental Security Income (SSI)	96.006			3,500,114	3,500,114
Total Disability Insurance/SSI Cluster		-	-	24,325,947	24,325,947
Social Security: Special Benefits for Persons Aged 72 and Over	96.003			20,400	20,400
Social Security: Research and Demonstration Developmental Disabilities Project	96.007			78,788	78,788
Other Research and Development	96.631			136,968	136,968
Other Research and Development	96.Unknown	69,974			69,974
Total SSA		69,974	-	24,562,103	24,632,077
Total Federal Expenditures		\$ 406,834,159	\$ 504,931,856	\$ 5,543,359,400	\$ 6,455,125,415

State of Maryland

Notes to the Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

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 the federal obligation is determined.

The noncash expenditures of \$12,035,000 relating to the National School Lunch Program, 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, 2001. These food commodities were received by the Maryland Department of Education from the U.S. Department of Agriculture for the year ended June 30, 2002.

The noncash expenditures of \$2,321,973 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, 2001. 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, 2002.

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, 2002.

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.

State of Maryland

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

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, 2002 reflects CFDA changes issued through December 2001.

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, 2002 was \$340,235 for CFDA No. 10.550, Food Donation Program; and \$130,250 for CFDA No. 10.569, Emergency Food Assistance Program (Food Commodities). 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, 2002.

Because the State has completely converted to electronic benefits transfer (EBT), there were no unissued food stamps on hand at June 30, 2002.

The value of donated federal surplus property on hand at June 30, 2002 was \$846,470 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.

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, 2002. 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, 2002.

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

State of Maryland

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

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	\$ 490,944,447
Federal UC benefits	61,583,046
Federal UC administrative costs	58,674,675
Total benefits	<u>\$ 611,202,168</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.

8. Workforce Investment Act

In accordance with the Department of Labor regulations, unexpended funds made available under the Job Training Partnership Act (JTPA) Program and Employment and Training Assistance: Dislocated Workers Program (DW) were used for transition to and implementation of the Workforce Investment Act (WIA). Expenditures of such funds include \$4,452,290 of JTPA funds and \$1,036,232 of DW funds. These expenditures are reflected in the Schedule of Expenditures of Federal Awards under CFDA No. 17.255, Workforce Investment Act.

9. 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 \$326,258 at June 30, 2001, and the loan expenditures of \$89,500 for the fiscal year ended June 30, 2002 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, 2002, 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, 2002 relating to this program are considered current year

State of Maryland

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

9. Loan Programs (continued)

federal expenditures, whereas the outstanding loan balances are not. The new loans made in the fiscal year ended June 30, 2002 are reported in the Schedule of Expenditures of Federal Awards.

<u>CFDA Number</u>		<u>Loan Expenditures for Fiscal Year Ended June 30, 2002</u>
84.032	Stafford Loan Program	\$ 2,977,061
84.032	PLUS	<u>3,445,965</u>
		<u>\$ 6,423,026</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, 2001 were \$217,264 and \$16,416, respectively. There were no new loans made in the fiscal year ended June 30, 2002. The outstanding balances are considered current year federal expenditures. These amounts are reported in the Schedule of Expenditures of Federal Awards.

Morgan State University

The University administers the Federal Perkins Loan Program – Federal Capital Contributions (CFDA No. 84.038). The outstanding loan balance of \$2,430,590 at June 30, 2001, and the loan expenditures of \$398,195 for the fiscal year ended June 30, 2002 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, 2002, the University processed \$19,627,889 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, 2002 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, 2002 are reported in the Schedule of Expenditures of Federal Awards.

State of Maryland

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

9. Loan Programs (continued)

University System of Maryland

The System administers the following federal student financial assistance programs:

<u>CFDA Number</u>		<u>Outstanding Balance at June 30, 2001</u>	<u>Loan Expenditures for Fiscal Year Ended June 30, 2002</u>
84.038	Perkins Loan Program	\$ 55,047,755	\$ 9,669,050
93.364	Federal Nursing Loan – Undergraduate	1,551,220	279,426
93.364	Federal Nursing Loan – Graduate	150,270	–
93.342	Health Professional Loan – Dental	4,621,293	572,330
93.342	Health Professional Loan – Medical	1,675,564	–
93.342	Health Professional Loan – Pharmacy	1,049,955	116,517
93.342	Primary Care Loan	2,590,030	875,902
		<u>\$ 66,686,087</u>	<u>\$ 11,513,225</u>

The outstanding loan balances at June 30, 2001 and the loan expenditures for the fiscal year ended June 30, 2002 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)

9. Loan Programs (continued)

University System of Maryland (continued)

During the fiscal year ended June 30, 2002, 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, 2002 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, 2002 are reported in the Schedule of Expenditures of Federal Awards.

<u>CFDA Number</u>		<u>Loan Expenditures for Fiscal Year Ended June 30, 2002</u>
84.032	Stafford Loan Program	\$143,310,852
84.032	PLUS	23,726,530
84.268	Subsidized Ford Federal Direct Student Loan	68,823,908
84.268	Unsubsidized Ford Federal Direct Student Loan	62,950,599
84.268	Ford Federal Direct Parent Loan	<u>21,864,020</u>
		<u>\$320,675,909</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, 2001 of \$6,577,664 and new loans made in the fiscal year ended June 30, 2002 of \$1,515,000 are considered current year federal expenditures and are reported in the Schedule of Expenditures of Federal Awards.

State of Maryland

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

10. New Major Program

Subsequent to the original issuance of the accompanying schedule of expenditures of federal awards, it was determined that an additional major program was required to be audited in accordance with the provisions of OMB Circular A-133. This additional major program, entitled the Medicaid Cluster, includes the following CFDA numbers listed in the schedule of expenditures of federal awards: 1) State Medicaid Fraud Control Unit (CFDA No. 93.775), 2) State Survey and Certification of Health Care Providers and Suppliers (CFDA No. 93.777) and 3) Medical Assistance Program (Medicaid) (CFDA No. 93.778). As a result of the subsequent identification of this cluster as a major program, the related Report on Compliance and on Internal Control Over Compliance in Accordance with OMB Circular A-133 for the year ended June 30, 2002, and the schedule of findings and questioned costs have been revised and reissued.

State of Maryland

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

Section I – Summary of Auditors’ Results

Financial Statement Section

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X None Reported
- Reportable conditions(s) identified that are not considered to be material weaknesses? Yes X No

Noncompliance material to financial statements noted? Yes X No

Federal Awards Section

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Reportable conditions(s) identified that are not considered to be material weaknesses? X Yes None Reported

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

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
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Major programs were determined by Ernst & Young LLP

Major programs audited by Abrams, Foster, Nole and Williams:

10.551 and 10.561	Food Stamp Cluster	\$ 242,776,943
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	51,401,847
10.558	Child and Adult Care Food Program	31,522,139
84.027 and 84.173	Special Education Cluster	122,474,505
93.558	Temporary Assistance for Needy Families	274,360,760

State of Maryland

Schedule of Findings and Questioned Costs (continued)

CFDA Numbers	Name of Federal Program or Cluster	Federal Expenditures
93.568	Low Income Home Energy Assistance Program	\$ 19,813,717
93.575 and 93.596	Child Care Cluster	118,099,671
93.658	Foster Care – Title IV-E	134,724,537
93.667	Social Services Block Grant	54,735,470
93.767	State Children’s Insurance Program	107,439,934
93.917	HIV Care Formula Grants	23,158,830
93.959	Block Grants for Prevention and Treatment of Substance Abuse	30,671,075
96.001 and 96.006	Disability Insurance/SSI Cluster	24,325,947
Major Programs Audited by Ernst & Young LLP:		
14.182 and 14.856	Section 8 Project Based Cluster	104,411,756
17.225	Unemployment Insurance Program	611,202,168
20.500 and 20.507	Federal Transit Cluster	145,864,714
84.010	Title I Grants to Local Educational Agencies	121,306,837
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	36,848,645
93.775, 93.777, and 93.778	Medicaid Cluster	1,909,509,931
Dollar threshold used to determine Type A programs		\$ 19,365,376
Auditee qualified as low-risk auditee?		<u> X </u> Yes <u> </u> No

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section II – Financial Statement Findings

No findings were reported.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs

Finding 2002-1

**Department of Health and Mental Hygiene (DHMH)
CFDA No 10.557 – Special Supplemental Nutrition Program for Women Infants and
Children**

Management evaluations for sub recipients were not completed for all subrecipients during the year in accordance with 7 CFR section 246.19(b).

Condition:

We noted that the Department of Health and Mental Hygiene (DHMH) did not complete the required management evaluations for two out of the four sub recipients selected for testing in accordance with 7 CFR section 246.19(b).

Criteria:

7 CFR 246.19(b) states:

“The State agency shall establish an on-going management evaluation system which includes at least the monitoring of local agency operations, the review of local agency financial and participation reports, the development of corrective action plans to resolve Program deficiencies, the monitoring of the implementation of corrective action plans, and on-site visits. The results of such actions shall be documented.”

Cause:

DHMH developed a management evaluation schedule but has not been able to maintain the evaluations due to staff constraints.

Effect:

The DHMH is not in compliance with the federal regulations.

Recommendation:

We recommend that the DHMH implement a system to monitor the completion of management evaluations as scheduled and within the time frames as specified in the federal regulations.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-1 (continued)

Auditee Response and Correction Action Plan:

Although WIC Program staff conducted site 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.

Auditors' Conclusion:

During the period of the MIS system problems, DHMH indicated that they concentrated their efforts on reconciling the instruments redeemed per their records to the instruments redeemed per the bank. The redeemed instruments are the largest volume of instruments. However, the federal regulations require reconciliation of unredeemed instruments as well as specific accounting of redeemed instruments as discussed above under "Criteria." 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 2002-2

**Department of Health and Mental Hygiene (DHMH)
CFDA No 10.557 – Special Supplemental Nutrition Program for Women Infants and
Children**

Food instruments were not identified and accounted for as issued, voided, redeemed, or unredeemed within 150 days of first valid date for participant use in accordance with 7 CFR section 246.12(q):

Condition:

We noted that the Department of Health and Mental Hygiene (DHMH) did not properly identify and account for food instruments as either issued, voided, redeemed or unredeemed within the time frame specified in 7 CFR section 246.12(q).

Criteria:

7 CFR 246.12(d) states:

“The State agency must account for the disposition of all food instruments as either issued or voided, and as either redeemed or unredeemed. Redeemed food instruments must be identified as validly issued, lost, stolen, expired, duplicate, or not matching valid enrollment and issuance records. In an EBT system, evidence of matching redeemed food instruments to valid enrollment and issuance records May be satisfied through the linking of the Primary Account Number (PAN) associated with the electronic transaction to valid enrollment and issuance records. This process must be performed within 150 days of the first valid date for participant use of the food instruments and must be conducted in accordance with the financial management requirements of Sec. 246.13. The State agency will be subject to claims as outlined in Sec. 246.23(a)(4) for redeemed food instruments that do not meet the conditions established in paragraph (q) of this section.”

Cause:

DHMH has not been able to conduct their reconciliation process to account for the disposition of food instruments after February 2002 due to a change in the Management Information System (MIS) that impacted reporting. DHMH stated that the MIS system problems are being resolved.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-2 (continued)

Effect:

The DHMH is not complying with the federal regulations.

Recommendation:

We recommend that the DHMH correct the MIS system problems and ensure that all food instruments are properly accounted for within the time frame specified in the federal regulations.

Auditee Response and Correction 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.

Auditors' 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 2002-3

**Department of Health and Mental Hygiene (DHMH)
CFDA No 93.959 – Substance Abuse Prevention and Treatment Block Grant**

Level of effort requirements for specified level of services were not monitored throughout the year in accordance with 45 CFR sections 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:

Condition:

We noted that the Department of Health and Mental Hygiene (DHMH) did not monitor whether effort levels for specific services were being reached in accordance with the federal regulations noted above.

Criteria:

The federal regulations noted above state:

45 CFR section 96.128 (f) – With respect to services provided for a State for purposes of compliance with this section, the State shall maintain Statewide expenditures of non-federal amounts for such services at a level that is not less than the average level of such expenditures maintained by the State for two-year period preceding the first fiscal year for which the State receives such a grant. In making this determination, States shall establish a reasonable base for fiscal year 1993. The base shall be calculated using Generally Accepted Accounting Principles and the composition of the base shall be applied consistently from year to year.

45 CFR section 96.127 (c) – With respect to services provided for by a State for purposes of compliance with this section, the State shall maintain Statewide expenditures of non-federal amounts for such services at a level that is not less than an average level of such expenditures maintained by the State for the two-year period preceding the first fiscal year for which the State receives such a grant. In making this determination, States shall establish a reasonable funding base for fiscal year 1993. The base shall be calculated using Generally Accepted Accounting Principles and the composition of the base shall be applied consistently from year to year.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-3 (continued)

45 CFR section 96.124 (c) – Subject to paragraph (d) of this section, a State is required to expend the Block Grant on women services as follows:

- 1) to increase (relative to fiscal year 1992) the availability of treatment services designed for pregnant women and women with dependent children (either by establishing new programs or expanding the capacity of existing programs). The base for fiscal year 1993 shall be an amount equal to the fiscal year 1992 alcohol and drug services Block Grant expenditures and State expenditures for pregnant women and women with dependent children as described in paragraph (e) of this section, and to this base shall be added at least 5 percent of the 1993 Block Grant allotment. The base shall be calculated using Generally Accepted Accounting Principles and the composition of the base shall be applied consistently from year to year. States shall report the methods used to calculate their base for fiscal year 1992 expenditures on treatment for pregnant women and women with dependent children.
- 2) For fiscal year 1994, the State shall, consistent with paragraph (c)(1) of this section, expend not less than five percent of the grant to increase (relative to fiscal year 1993) the availability of such services to pregnant women and women with dependent children.
- 3) For grants beyond fiscal year 1994, the States shall expend no less than an amount equal to the amount expended by the State for fiscal year 1994.

Cause:

DHMH has not established a technical system, which tracks maintenance of effort expenditure levels.

Effect:

DHMH is not in compliance with the federal regulations.

Recommendation:

We recommend that the DHMH implement a tracking system to ensure that it is reaching and maintaining its level of effort compliance requirements as specified in the federal regulations.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-3 (continued)

Auditee Response and Correction 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.

Auditors' 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 2002-4

**Department of Health and Mental Hygiene (DHMH)
CFDA No 93.959 – Substance Abuse Prevention and Treatment Block Grant**

Funds earmarked for early intervention services for HIV disease were not tracked throughout the year in accordance with 45 CFR section 96.128 (a) (1) and (d).

Funds earmarked for primary prevention programs were not tracked throughout the year in accordance with 45 CFR sections 96.124 (b)(1).

Funds earmarked for providing treatment services in penal or correctional institutions were not tracked throughout the year in accordance with 45 CFR sections 96.135(b)(2).

Condition:

We noted that the Department of Health and Mental Hygiene (DHMH) did not monitor whether funds expended for early intervention of HIV disease, primary prevention or treatment services in penal or correctional institutions were within the federal earmarking limitations as required in the above federal regulations.

Criteria:

The federal regulations referred to above state:

45 CFR section 96.128 (a) (1) and (d) –

- (a) In the case of a designated State as described in paragraph (b) of this section, the State shall do the following—
 - 1) With respect to individuals undergoing treatment for substance abuse, the State shall, subject to paragraph (c) of this section, carry out one or more projects to make available to the individuals early intervention services for HIV disease as defined in Sec. 96.121 at the sites at which the individuals are undergoing such treatment;

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-4 (continued)

- (d) If the State plans to carry out 2 or more projects under paragraph (a) of this action, the State shall carry out one such project in a rural area of the State, unless the requirement is waived. The Secretary shall waive the requirement if the State certifies to the Secretary that:
- 1) The rate of cases of acquired immune deficiency syndrome is less than or equal to two such cases per 100,000 individuals in any rural area of the State, or there are so few infected persons that establishing a project in the area is not reasonable; or
 - 2) There are no rural areas in the State as defined in Sec. 96.121.

In addition, the OMB Circular A-133 states that designated states shall expend not less than 2 percent and not more than 5 percent of the award amount to carry out one or more projects to make available to individuals early intervention services for HIV disease at the sites where the individuals are undergoing substance abuse treatment.

45 CFR sections 96.124 (b)(1) –

- b) The States are also to expend the Block Grant on primary prevention programs as follows:
- 1) Consistent with Sec. 96.125, the State shall expend not less than 20 percent for programs for individuals who do not require treatment for substance abuse, which programs—
 - (i) educate and counsel the individuals on such abuse; and
 - (ii) provide for activities to reduce the risk of such abuse by the individuals

45 CFR sections 96.135(b)(2) –

- (b) The State shall limit expenditures on the following:
- (2) The State will not, in expending the grant for the purpose of providing treatment services in penal or correctional institutions of the State, expend more than an amount prescribed by section 1931(a)(3) of the PHS Act.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-4 (continued)

Cause:

DHMH has not established a technical system, which tracks early intervention expenditures relative to HIV, primary prevention or treatment services in penal or correctional institutions.

Effect:

DHMH is not complying with the federal regulations.

Recommendation:

We recommend that the DHMH implement a tracking system to ensure that its early intervention expenditures relative to HIV, primary prevention or treatment services in penal or correctional institutions are within federally stipulated limitations as specified in the federal regulations referred to above.

Auditee Response and Correction Action Plan:

HIV (45 CFR Section 96.128)

The AIDS Administration monitors the funding that is provided throughout the year and reconciles yearly by the submission of Form 440 by the servicing vendors. The AIDS Administration proposes to forward these yearly reconciliations to ADAA/DHMH so as to provide a means of tracking grant funding in one location. The AIDS Administration has forwarded to the Department the above mentioned Form 440's for FY 2002.

PRIMARY PREVENTION (45 CFR Section 96.124)

ADAA does track federal funds used for prevention and is in compliance with the 20% funding requirement as described in 45 CFR Section 96.124. During SFY 01, the Alcohol and Drug Abuse Administration (ADAA) provided a total of \$7.1 million in federal funds and \$1.1 million in State general funds for prevention programs throughout the State of Maryland.

Prevention funds are used to provide an infrastructure of coordinators in each county and Baltimore City to determine the alcohol and drug prevention needs of their jurisdiction and to direct services provided by ADAA funding as well as that of other funding sources. In addition, the coordinator and staff provide direct services. Through the coordinator, funding to include

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-4 (continued)

technical assistance and resource materials is provided to communities focused on promoting drug free lifestyles.

The Maryland Student Assistance Program (MSAP) is a joint effort between the ADAA and the Maryland State Department of Education (MSDE). ADAA funds adolescent counselors through the local health departments that participate on MSAP teams within the local middle and high schools. These MSAP teams identify, perform interventions with, screen and refer for further assessment students who are suspected as being substance involved.

Special initiatives are the Alcohol, Tobacco, and Other Drug (ATOD) Prevention Centers located regionally in four universities across the state. The universities participating are Bowie State, Frostburg, Towson, and UMES. The centers work with school administrators to establish and promote policy that prevents or reduces ATOD use. All centers work with Peer Leadership Programs, ATOD trainings, substance free activities, and Social Norm strategies to create healthy atmospheres on the campuses.

Special initiatives in the six high-risk pre-schools located in Baltimore, Frederick, Garrett, Montgomery, Washington, and Wicomico Counties teach children skills in interpersonal resistance, social problem solving and coping. Parents learn about developmental expectations, ATOD issues, and family management issues. Family bonding activities are provided to insure the continued use of the knowledge gained after the program work is completed.

The Center for Substance Abuse Prevention (CSAP) has provided research based model programs and strategies that have been identified by CSAP during years of implementation and evaluation. These programs and strategies are being implemented throughout the State to age groups ranging from pre-school through college and populations to include parents in the community, parents who are incarcerated, and parents who are struggling with their own addiction. During FY 03, ADAA announced an Request for Proposal (RFP) for science-based prevention programs and awarded new grants totaling \$600,000 to several counties for new prevention initiatives.

TREATMENT SERVICES IN PENAL AND CORRECTIONAL INSTITUTIONS [45 CFR Section 96.135(b)(2)]

The federal regulation cited (45 CFR Section 96.135) sets a ceiling on Substance Abuse Prevention Treatment (SAPT) Block Grant funds that can be expended for substance abuse treatment in penal/correctional facilities. State funds expended for this purpose in 1991 are used as the base year.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-4 (continued)

ADAA agrees with this audit finding and is taking steps to implement a tracking system that will ensure better compliance with all of the federal regulations cited under Single Audit Findings 2002-3 and 2002-4. The agency is also developing a new grants management data collection system and has received Board of Public Works approval to hire a federally-funded SAPT Block Grant Coordinator. The grants data system and the SAPT coordinator will further enable ADAA to better address all federal Block Grant tracking requirements.

Auditors' 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 2002-5

Department of Human Resources (DHR)

Child Care Cluster

CFDA No. 93.575 – Child Care and Development Block Grant

CFDA No. 93.596 – Child Care Mandatory and Matching Funds of the Child Care Development Fund

Internal control weakness over accurate preparation of the Schedule of Expenditures of Federal Awards.

Condition:

We noted that the Department of Human Resources (DHR) did not properly show the expenditures for the Child Care Cluster by program on the SEFA. Total revenues and expenditures of the Child Care Cluster were all under one federal program (CFDA No. 93.596) instead of showing the proper amounts for each of the two federal programs (CFDA No. 93.575 and 93.596) within the Child Care Cluster.

	Per Unadjusted Schedule G	Per Adjusted Schedule G	Difference
CFDA No. 93.575 – Child Care and Development Fund Block Grant	\$ –	\$ 37,801,627	\$ 37,801,627
CFDA No. 93.596 – Child Care Mandatory and Matching Funds of the Child Care Development Fund	117,308,589	79,506,962	(37,801,627)

As a result, DHR procedures are not adequate to ensure that the SEFA is accurate and complete with respect to the CFDA numbers mentioned above.

Criteria:

OMB Circular A-133 states:

The auditee shall also prepare a Schedule of Expenditures of Federal Awards that lists individual federal programs by federal agency. For federal programs included in a cluster of programs, list individual federal programs within a cluster of programs.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-5 (continued)

Cause:

DHR personnel did not reconcile fiscal year ending June 30, 2002 expenditures reported by CFDA number on their fiscal year expenditures reports submitted to the federal grantor agency to the fiscal year amounts reported on the Schedule G by CFDA number. DHR submits the Schedule G to the Comptroller of Maryland that is used to prepare the fiscal year ended June 30, 2002 statewide Schedule of Expenditures of Federal Awards by CFDA number.

Effect:

Because such reconciliations are not performed, DHR does not have internal control procedures to assure that expenditures reported on the State's Schedule of Expenditures of Federal Awards are accurate.

Recommendation:

For each fiscal year, DHR should reconcile fiscal year expenditures reported by CFDA number on the fiscal year expenditure reports submitted to the grantor agency to fiscal year expenditures reported by CFDA number on the Department's Schedule G.

Auditee Response and Correction Action Plan:

The Department agrees with the above audit finding in that expenditures for the Child Care Mandatory and Matching Funds (CFDA No. 93.596) and the Child Care Discretionary Funds (CFDA No. 93.575) were both reported in Schedule G under CFDA No. 93.596. This error was immediately corrected when it was brought to the Department's attention.

The Department does not agree, however, with the auditor's contention that the error occurred because of the lack of internal control procedures in reconciling the expenditures reported to the federal grantor agency to those reported on the Schedule G. Expenditures for the Child Care Mandatory, Matching, and Discretionary Funds are reported as separate columns in one federal report, namely the ACF-696 Financial Report. Furthermore, the expenditures are not reported by CFDA number as the auditor's recommendation indicates. In the future, the Department will make every effort to ensure that Schedule G expenditures are accurately reported by CFDA numbers. This will be done by having a staff member other than the one completing the

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-5 (continued)

Schedule G report independently review the accuracy of expenditures reported to their related CFDA numbers.

Auditors' 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 2002-6

Department of Human Resources (DHR)

Child Care Cluster

CFDA No. 93.558 – Temporary Assistance to Needy Families

CFDA No. 93.575 – Child Care and Development Block Grant

**CFDA No. 93.596 – Child Care Mandatory and Matching Funds of the Child Care
Development Fund**

CFDA No. 93.667 – Social Services Block Grant

Internal control weakness over accurate preparation of the Schedule of Expenditures of Federal Awards (SEFA). Amounts transferred into the Social Services Block Grant (SSBG) and Child Care Cluster and expended during the fiscal year under these programs were not included as expenditures of those respective programs on the SEFA as required by the OMB Circular A-133 Compliance Supplement.

Condition:

For the fiscal year ended June 30, 2002, the Department of Human Resources (DHR) did not properly include the funds transferred into the Social Services Block Grant (SSBG) and the Child Care Cluster (from the Temporary Assistance for Needy Families [TANF] program) and expended on the SSBG and the Child Care Cluster for the year ended June 30, 2002, on the SEFA as SSBG and Child Care Cluster expenditures, respectively.

	Per Unadjusted SEFA	Per Adjusted SEFA	Difference
Social Services Block Grant	\$ 31,816,113	\$ 54,735,470	\$ 22,919,357
Child Care Cluster	117,308,589	118,089,270	780,681
Temporary Assistance for Needy Families	264,930,128	241,230,090	(23,700,038)

As a result, DHR procedures are not adequate to ensure that the SEFA is accurate and complete with respect to the CFDA numbers mentioned above.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-6 (continued)

Criteria:

OMB Circular A-133 310(b)(1):

“The auditee shall also prepare a Schedule of Expenditures of Federal Awards that lists individual federal programs by federal agency. For federal programs included in a cluster of programs, list individual federal programs within a cluster of programs.”

OMB Circular A-133 Compliance Supplement, Part IV – Section IV for the SSBG states:

“The amounts transferred into this program are subject to the requirements of this program when expended and should be included in the audit universe and total expenditures of this program when determining Type A programs. On the Schedule of Federal Awards, the amounts transferred in should be shown as expenditures of this program when such amounts are expended.”

OMB Circular A-133 Compliance Supplement, Part IV for Child Care Cluster – Part IV states:

“The amounts transferred into this program are subject to the requirements of this program when expended and should be included in the audit universe and total expenditures of this program when determining type A programs. On the Schedule of Expenditures of Federal Awards, the amounts transferred in should be shown as expenditures of this program when such amounts are expended.”

Cause:

DHR erroneously excluded the amounts transferred into the Child Care Cluster and expended in those programs during the fiscal year as expenditures of the Child Care Cluster on the SEFA. Instead, those expenditures were included as TANF expenditures on the SEFA when transferred.

Effect:

DHR internal controls over preparation of the SEFA are not adequate to ensure accurate preparation of the SEFA.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-6 (continued)

Recommendation:

We recommend that DHR ensure that amounts expended in federal programs originating from transfers from other federal programs are properly reported on the SEFA in accordance with OMB regulations.

Auditee Response and Correction 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.

Auditors' 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 2002-7

Department of Human Resources (DHR)

CFDA No. 93.568 – Low Income Home Energy Assistance

The Department of Human Resources (DHR) had no policies in place to ensure corrective action was taken by the local administrative agencies (LAA) with audit findings during the year in accordance with OMB Circular A-133.

Condition:

We noted that DHR did not determine whether Neighborhood Services Center, Inc. and Anne Arundel County Economic Opportunity Committee, Inc. took corrective action on their audit findings.

Criteria:

OMB Circular A-133, 400 (d)(5) states:

“Pass-through entity responsibilities: A pass-through entity shall perform the following for the federal awards it makes: 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:

DHR indicated that they did not have enough staff. The staff they had in the fiscal year ended June 30, 2002 had many responsibilities – administrative, fiscal, and desk monitoring. Therefore, they were not able to handle follow-up for LAA’s with audit findings.

Effect:

DHR is not in compliance with the aforementioned federal requirements.

Recommendation:

We recommend that DHR perform sufficient subrecipient monitoring, operational monitoring and financial monitoring, to ensure that LAA is implementing corrective actions plans to correct audit findings as specified in the federal regulations.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-7 (continued)

Auditee Response and Correction Action Plan:

In the case of Neighborhood Service Center: In response to DHR's request for a corrective action plan, the Neighborhood Service Center submitted a corrective action plan for July 12, 2002. This plan responded to the findings in this agency's FY'01 single audit. Before local Maryland Energy Assistance Program (MEAP) monthly financial reports are submitted, the executive director, the fiscal accountant, and the manager of the MEAP program conduct a thorough review to assure the report is reconciled with the general ledger. Two signatures are required on the report. These procedures were implemented.

A site visit on March '03 by State Office of Home Energy Programs (OHEP) staff is scheduled after receipt of the agency's '02 single audit. An earlier site visit to confirm the reconciliation was determined to be unnecessary because this agency was within its contract budget and no monetary consequences were evident.

In the case of Anne Arundel County Economic Opportunity Committee, Inc.: The local agency's corrective action plan in '01 identified internal control procedures that prevented the temporary transfer of MEAP funds.

The agency's single audit for '02 by an independent audit disclosed no repeat finding. Since the final reconciliation of Anne Arundel's MEAP funds in FY '01 matched state records, there was proper accounting of all local MEAP funds.

Two site visits scheduled in FY '03 were postponed due to weather. A third date has been scheduled during March '03 to confirm compliance.

In summary, DHR has policies to insure corrective action. By the end of March, site monitoring visits will be completed to confirm the corrective actions for problems identified in these two subrecipient audits.

Auditors' Conclusion:

Going forward, management should ensure that adequate documentation is available for the auditors' observation supporting actions taken by management to follow-up on corrective action of audit findings. 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 2002-8

Department of Human Resources (DHR)

CFDA No. 93.568 – Low Income Home Energy Assistance

The Department of Human Services (DHR) is not aware of what subrecipients were monitored for operational monitoring during the fiscal year ended June 30, 2002.

Condition:

Per conversation with DHR officials, we noted that DHR did not have knowledge of sites visited during the fiscal year ended June 30, 2002 by the Office of Inspector General to determine whether they complied with applicable federal regulations.

Criteria:

OMB Circular A-133, 400(d)(3) states:

“Pass-through entity responsibilities: A pass-through entity shall perform the following for the federal awards it makes. 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:

DHR did not have documentation to verify that subrecipient monitoring was done for the fiscal year ended June 30, 2002.

Effect:

DHR cannot substantiate compliance with the federal regulations above.

Recommendation:

We recommend that DHR obtain documentation of sites visited to ensure that the local administrative agency is complying with applicable federal regulations.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-8 (continued)

Auditee Response and Correction Action Plan:

It is correct that site visits to subrecipients were not done in '02. However, the Office of Home Energy Programs (OHEP) conducted regular desk monitoring and reviewed monthly reports by all local agencies. OHEP had ample information to assure local program compliance.

In '03, OHEP will make site visits to all subrecipient agencies. When on-site monitoring visits are made, the monitors will review both '02 and '03 local administrative agency compliance with applicable federal regulations and state guidance to enable OHEP to conduct all required site visits by September 30, 2003. All program staff are being currently trained in program and financial monitoring procedures and will be utilized.

Auditors' 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 2002-9

Department of Human Resources (DHR)

Child Care Cluster

CFDA No 93.575 – Child Care and Development Fund Block Grant (CCDF)

CFDA No 93.596 – Child Care Mandatory and Matching Funds of the Child Care Development Fund

The Department of Human Resources (DHR) did not reach its quality and availability earmark requirement as stated in 45 CFR section 98.51(a).

Condition:

We noted that DHR did not spend on quality and availability activities, as provided for in the State plan, the required minimum percentage of funds expended as required in 45 CFR Section 98.51(a) (the federal regulation).

Criteria:

45 CFR Section 98.5(1)(a) states:

- a) No less than four percent of the aggregate funds expended by the Lead Agency for a fiscal year, and including the amounts expended in the State pursuant to Sec. 98.53(b), shall be expended for quality activities.

(1) These activities May include but are not limited to:

- (i) Activities designed to provide comprehensive consumer education to parents and the public;
- (ii) Activities that increase parental choice; and
- (iii) Activities designed to improve the quality and availability of child care, including, but not limited to those described in paragraph (2) of this section.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-9 (continued)

- (2) Activities to improve the quality of child care services May include, but are not limited to:
- (i) Operating directly or providing financial assistance to organizations (including private non-profit organizations, public organizations, and units of general purpose local government) for the development, establishment, expansion, operation, and coordination of resource and referral programs specifically related to child care;
 - (ii) Making grants or providing loans to child care providers to assist such providers in meeting applicable State, local, and tribal child care standards, including applicable health and safety requirements, pursuant to Secs. 98.40 and 98.41;
 - (iii) Improving the monitoring of compliance with, and enforcement of, applicable State, local, and tribal requirements pursuant to Secs. 98.40 and 98.41;
 - (iv) Providing training and technical assistance in areas appropriate to the provision of child care services, such as training in health and safety, nutrition, first aid, the recognition of communicable diseases, child abuse detection and prevention, and care of children with special needs;
 - (v) Improving salaries and other compensation (such as fringe benefits) for full and part-time staff who provide child care services for which assistance is provided under this part; and
 - (vi) Any other activities that are consistent with the intent of this section.
- b) Pursuant to Sec. 98.16(h), the Lead Agency shall describe in its Plan the activities it will fund under this section.
- c) Non-Federal expenditures required by Sec. 98.53(c) (i.e., the maintenance-of-effort amount) are not subject to the requirement at paragraph (a) of this section.

Cause:

DHR did not monitor quality and availability activity expenditures closely enough to ensure compliance with earmarking requirement per the federal regulations.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-9 (continued)

Effect:

DHR is not in compliance with the federal regulations.

Recommendation:

We recommend that DHR begin to monitor its quality and availability activity expenditures more precisely to ensure that it expends in accordance with the earmarking requirements specified in the federal regulations.

Auditee Response and Correction Action Plan:

The Department agrees with the above finding that the expenditures reported in the Child Care Development Fund (CCDF) reports as of June 30, 2002 were not in compliance with the earmarking requirements. An analysis of those expenditures revealed that some of the expenditures were not properly reported on the appropriate lines in the CCDF reports. This prompted the Department to revise the expenditures reported for the quarter ended September 30, 2003, to reflect the proper expenditures for each line item in the CCDF reports. The revised expenditures reported are now in line with the earmarking requirements.

To ensure that future quality and earmarking expenditures are met and properly reported, staff from the Child Care Administration and Grants Management met and prepared a list of the project codes, to clarify which codes capture the cost of specific activities.

The appropriate lines in the ACF 696 federal reports have been identified to report those expenditures. The quality and earmarking expenditures will be monitored by both staff, on a quarterly basis, to ensure compliance with federal requirements.

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 2002-10

State Treasurer’s Office

- CFDA No. 10.553 – School Breakfast Program**
- 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. 17.207 – Employment Services**
- CFDA No. 17.225 – Unemployment Insurance Program**
- CFDA No. 17.253 – Welfare-to-Work Grants to States and Localities**
- CFDA No. 17.255 – Workforce Investment Act**
- CFDA No. 20.106 – Airport Improvement Program**
- 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. 84.048 – Vocational Education: Basic Grants to States**
- CFDA No. 84.126 – Rehabilitation Services: Vocational Rehabilitation Grants to States**
- CFDA No. 84.338 – Reading Excellence**
- CFDA No. 84.340 – Class Size Reduction**
- CFDA No. 93.558 – Temporary Assistance to Needy Families (TANF)**
- 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. 93.778 – Medical Assistance Program (Medicaid)**
- CFDA No. 93.917 – HIV Care Formula Grants**
- CFDA No. 93.959 – Block Grants for Prevention and Treatment of Substance Abuse**
- CFDA No. 96.001 – Social Security: Disability Insurance**

The State Treasurer’s Office did not maintain documentation supporting the check clearance time for 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).

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-10 (continued)

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, 2001 and remained in effect until June 30, 2002.

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. The check clearance time for the average clearance-vendor clearance pattern per Exhibit II of the CMIA Agreement was 3.2 calendar days. The check clearance time for the average clearance-payroll clearance pattern per Exhibit II of the CMIA Agreement was one calendar day. The methodology and standards used to develop these check clearance times is governed by 31 CFR, 205, Part 8, and Sections 7.0 to 7.10 of the CMIA Agreement.

The State Treasurer of Maryland could not provide documentation supporting the development of the check clearance time for these two check clearance patterns noted in the CMIA Agreement.

Criteria:

31 CFR 205.17C states:

“Recordkeeping: A State shall maintain records supporting interest calculations, clearance patterns, direct costs, and other functions directly pertinent to the implementation and administration of the subpart.”

Cause:

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

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-10 (continued)

Effect:

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

Recommendation:

We recommend that the State Treasurer's Office maintain all documentation supporting the basis for development of the check clearance time for the average clearance-vendor and average clearance-payroll clearance patterns in the CMIA Agreement.

Auditee Response and Corrective Action Plan:

The State Treasurer's Office in conjunction with the General Accounting Division and Central Payroll has reviewed and updated the clearance patterns for payroll and vendor payments. The supporting documentation resides in the Internal Audit Department of the State Treasurer's Office and will be in effect until June 30, 2007. If an adjustment is identified prior to June 2007, it will be corrected and an amendment will be prepared and submitted to the United States Treasury Department.

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 2002-11

Department of Housing and Community Development (DHCD)

Section 8 Project Based Cluster

CFDA No 14.182 – Section 8 New Construction and Substantial Rehabilitation

The Department of Housing and Community Development (DHCD) did not maintain documentation supporting the check clearance time for the check clearance pattern entitled “Average clearance” referenced in the Cash Management Improvement Act Agreement (CMIA Agreement) between the State Treasurer of Maryland and the Secretary of the Treasury – United States Department of Treasury.

Condition:

The Department of Housing and Community Development (DHCD) did not maintain documentation to support their average clearance pattern for Section 8 New Construction Housing Assistance Payments made through the DHCD account referenced in the CMIA Agreement between the State Treasurer of Maryland and the Secretary of the Treasury – United States Department of Treasury. The check clearance time for the average clearance DHCD pattern per Exhibit II of the CMIA Agreement was two calendar days. The methodology and standards used to develop their check clearance time is governed by 31 CFR. 205, Part 8, and Sections 7.4 through 7.10 and 7.12.1 of the CMIA Agreement. In addition, we noted that DHCD based this average clearance-DHCD pattern for Section 8 New Construction Housing Assistance Payments disbursements through the DHCD account on disbursements made in fiscal year 1996. However, DHCD did not recertify its clearance pattern at least once every five years as required by Section 7.9 of the CMIA agreement.

Criteria:

35 CFR 205.29(b) states:

“A State shall maintain records supporting interest calculations, clearance patterns, direct costs, and other functions directly pertinent to the implementation and administration of the subpart A and for audit purposes. A State must retain the record for each fiscal year for three years from the date the State submits its Annual Report, or until any pending dispute or action involving the records and documents is complete, whichever is later.”

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-11 (continued)

35 CFR 205.22 states:

“An authorized State official must re-certify the accuracy of the clearance pattern at least every five years.”

Cause:

Due to staff turnover, DHCD did not maintain documentation to support the check clearance pattern nor recertify their average clearance-DHCD for Section 8 New Construction Housing Assistance Payments made through the DHCD account.

Effect:

DHCD is not in compliance with the federal regulations relative to maintaining documentation to support their clearance pattern in the CMIA Agreement. DHCD is also not in compliance with the recertification requirements noted in the CMIA Agreement. We cannot determine if the DHCD complied with the appropriate standards for development of this check clearing pattern per the federal regulations and the terms of the CMIA Agreement.

Recommendation:

We recommend that DHCD comply with the requirements of the Code of Federal Regulations and maintain documentation to support the average clearance-DHCD pattern. In addition, we recommend that they adhere to the requirements in the CMIA Agreement and recertify their clearance patterns at least once very five years.

Auditee Response and Correction Action Plan:

DHCD agrees with the finding and recommendation. Documentation for the check clearance pattern for fiscal year 1996 was misplaced due to staff turnover. Although we were not able to find the necessary documentation, we were able to recalculate the 1996 check clearance pattern using a similar process and we arrived at the same clearance pattern. Our check clearance pattern for fiscal year 2003 is substantially the same as the pattern for 1996 (2-day clearance), so there was no impact on the federal calculation.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-11 (continued)

Target Date for Implementation:

Completed

DHCD was not aware that the check clearance pattern was due to be recertified for fiscal year 2002. Once the State Treasurer's Office notified us that the recertification was due, we recertified the check clearance pattern for fiscal year 2003, based on fiscal year 2002 expenditures. Also, the documentation for the fiscal year 2003 recertification was given to the auditors during their visit to DHCD. DHCD is now aware that the recertification is due at least once every five years and will comply with the federal requirement.

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 2002-12

Department of Housing and Community Development (DHCD)

Section 8 Project Based Cluster

CFDA No 14.182 – Section 8 New Construction and Substantial Rehabilitation

Annual Management reviews were not conducted in accordance with the Annual Contributions Contract.

Condition:

We noted that the Department of Housing and Community Development (DHCD) did not perform annual management reviews in accordance with the requirements governed by the Annual Contributions Contract (ACC) signed between the United States Department of Housing and Urban Development and DHCD. We reviewed 25 annual management reviews performed during the fiscal year ended June 30, 2002 and noted that the property management officers failed to adhere to the resident file sampling plan outlined in the ACC for five of those reviews. DHCD is required to review tenant files to ensure that proper documentation exists to support housing assistance payments made to Section 8 Project Based Properties.

Criteria:

Section 8, Exhibit A, page 9 of the ACC requires that:

DHCD “conduct an on-site management and occupancy review of each Section 8 project, no less than annually.” It further requires that DHCD use the resident file random sampling plan as outlined in the ACC to ensure that the minimum number of tenant files is reviewed during the annual management review.

Cause:

DHCD property management officers did not adhere to the resident file random sampling plan outlined in the ACC when conducting the annual management reviews.

Effect:

Annual management reviews are not conducted in accordance with the requirements of the ACC.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-12 (continued)

Recommendation:

We recommend that DHCD conduct annual management reviews in accordance with the requirements established in the annual contributions contract.

Auditee Response and Correction Action Plan:

DHCD agrees with the finding and recommendation. Initially, we performed a review on a sample of 10% of the assisted units. This was the sampling requirement prior to implementation of the Section 8 Performance Based Contract Administration (PBCA) initiative. In January 2002, DHCD met with HUD and realized that we were using the incorrect percentage. Subsequently, we began using the correct percentages. However, we did not update the written work plan until later. Under the PBCA contract, we re required to use the following scale:

Number of Units	Minimum File Sample
0 – 100	5 files + 1 for each 10 units over 50
101 – 600	10 files + 1 for each 50 units or part over 100
601 – 2,000	20 files + 1 for each 100 or part of 100 over 600
Over 2,000	34 files + 1 for each 200 units or part of 200 over 2,200

DHCD has revised the Contract Administration Unit’s work plan to reflect this change. This revision has been distributed to all appropriate staff in the Unit and is to take effect immediately.

Target Date for Implementation:

Completed

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 2002-13

Department of Housing and Community Development (DHCD)

Section 8 Project Based Cluster

CFDA No. 14.182 – Section 8 New Construction and Substantial Rehabilitation

Subrecipients are not being monitored in accordance with OMB Circular A-133. Internal control weaknesses over adequately identifying and monitoring subrecipients who receive over \$300,000 in federal funds.

Condition:

We noted that the Department of Housing and Community Development (DHCD), a pass-through entity, does not have a system to adequately identify and monitor subrecipients of nonperformance based properties to ensure that those subrecipients that expended more than \$300,000 in federal funds had met the audit requirements of OMB Circular A-133. We reviewed five subrecipient agreements and noted that DHCD did not receive the A-133 audit report for one subrecipient. DHCD should have received the audit report for the fiscal year ended June 30, 2001 by March 31, 2002 for DHCD to be in compliance with the subrecipient requirements of OMB Circular A-133. In addition, we noted that the subrecipient entities that DHCD identified during fiscal year ended June 30, 2002 included for-profit entities for which OMB Circular A-133 does not apply. Since DHCD does not have a system to adequately identify entities subject to the audit requirements of OMB Circular A-133, we could not determine the number of entities that should have submitted A-133 audit reports to DHCD.

Criteria:

OMB Circular A-133.400(d) states:

“Pass-through entity responsibilities. A pass-through entity shall perform the following for the federal awards it makes: (3) “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, as well as any supplemental requirements imposed by the pass-through entity.” OMB Circular A-133.400(d)(4) requires that “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.” In addition, OMB Circular A-133.400(d)(5) requires that the “pass-through entity 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.”

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-13 (continued)

Cause:

DHCD did not have an adequate system in place to monitor subrecipient compliance with the audit requirements in OMB Circular A-133.

Effect:

Subrecipients are not being adequately identified and monitored in accordance with OMB Circular A-133.

Recommendation:

We recommend that DHCD establish a system to identify and monitor subrecipients' compliance with the audit requirements of OMB Circular A-133.

Auditee Response and Correction Action Plan:

DHCD agrees with the finding and recommendation. While we do have a system in place to identify and monitor all of our subrecipients receiving \$300,000 or more in federal funds (for fiscal year 2002, our total subrecipients numbered 72), our system failed to correctly include some of the nonperformance based Section 8 Properties that fall within the federal audit requirements. Now that the auditor has brought this issue to our attention, we will review the nonperformance based Section 8 Properties for fiscal year 2002 and determine that all properties that fall within the federal audit requirements. We will contact these properties in writing and request that the necessary audits are forwarded to us once the audits are available. We will review these audits in accordance with our current procedures and follow-up on any outstanding issues. This will ensure that this finding will not occur in the future. These corrective actions will be completed by March 31, 2003.

Target Date for Implementation:

March 31, 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 2002-14

**Department of Labor, Licensing and Regulation (DLLR)
CFDA No. 17.225 – Unemployment Insurance Program**

DLLR did not maintain documentation to support the check clearance pattern in the CMIA Agreement. Additionally, DLLR used a check clearance pattern to make drawdowns for the fiscal year ended June 30, 2002 that was not agreed to in the CMIA Agreement.

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 the Treasury. The Agreement took effect on July 1, 2001 and remained in effect until June 30, 2002.

The Department of Labor and Licensing and Regulation (DLLR), per Section 7.11 of the CMIA Agreement, is responsible for developing a clearance pattern for Unemployment Insurance Benefit Payments. The check clearance pattern was defined in Exhibit II as follows:

<u>Day of Week</u>	<u>Percentage of Prior Week Issuance</u>
Monday	23.8%
Tuesday	19.2%
Wednesday	9.5%
Thursday	19.3%
Friday	28.2%

The methodology and standards used to develop these check clearance time periods is governed by 31 CFR 205, Part 8 and Sections 7.11 to 7.11.4 of the CMIA Agreement.

DLLR management was unable to provide documentation supporting the development of the check clearance pattern for the Unemployment Insurance Benefit Payments noted in the CMIA Agreement. Additionally, management indicated that the methodology defined in the CMIA Agreement, Sections 7.11 to 7.11.4, was not used to develop the actual clearance pattern used.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-14 (continued)

Criteria:

As indicated specifically at 35 CFR 205.29(b):

“A State shall maintain records supporting interest, calculations, clearance patterns, direct costs and other functions directly pertinent to the implementation and administration of the subpart A and for audit purposes. A State must retain the record for each fiscal year for three years from the date the State submits its Annual Report, or until any pending dispute or action involving the records and documents is complete, whichever is later.”

Also, as indicated specifically at 35 CFR 205.7(c):

“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.”

Cause:

DLLR was unable to provide documentation supporting the basis for development of the check clearance patterns for the Unemployment Insurance Benefit Payments as per the CMIA Agreement. DLLR indicated that the methodology change was communicated to the State via memo dated June 30, 1994.

Effect:

DLLR is not in compliance with the federal regulations relative to recordkeeping processes supporting the check clearance patterns in the CMIA Agreement as noted above. Thus, it was not determinable as to whether the DLLR complied with the appropriate standards for the development of the benefits check clearance patterns per the federal regulations and the terms of the CMIA Agreement. Additionally, the CMIA Agreement does not properly reflect the current clearance pattern methodology used by the Unemployment Insurance Benefits Payment.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-14 (continued)

Recommendation:

We recommend that the DLLR maintain all documentation supporting the basis for development of the check clearance patterns for benefit payments to unemployed in the CMIA Agreement. We recommend that DLLR follow up with the State CMIA Coordinator to ensure the proper clearance pattern methodology is defined in the CMIA Agreement.

Auditee Response and Correction Action Plan:

The Department will comply with the recommendation. The Chief of Accounting and Fund Management for the Division of Employment and Training did provide documentation of the clearance pattern for Unemployment Insurance (UI) benefit payments. When this analysis was done, the clearance pattern closely mirrored the existing clearance pattern. Therefore, no change to the clearance pattern was made. The current clearance pattern was submitted to the State Treasurer's Office on May 28, 2002.

To date, the State Treasurer has neither questioned nor requested a modification to this clearance pattern. In addition, DLLR has not incurred any interest liability under CMIA, because UI Trust Fund banking costs have always exceeded interest earnings credits.

DLLR agrees to work with the State Treasurer and the U.S. Department of the Treasury to obtain written agreement on the clearance pattern for benefit payments that is currently utilized.

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 2002-15

**Department of Labor, Licensing and Regulation (DLLR)
CFDA No. 17.225 – Unemployment Insurance Program**

Internal control weaknesses related to accurate preparation of the Schedule of Expenditures of Federal Awards.

Condition:

For the fiscal year ended June 30, 2002, the Department of Labor, Licensing, and Regulations personnel submitted expenditure reports to the federal grantor agency that reported expenditures by CFDA number. The accuracy and completeness of these expenditure reports with respect to the expenditure amounts reported by CFDA number are required to be tested as part of the OMB Circular A-133 audit. DLLR personnel complete a Schedule G at the end of each fiscal year that reports fiscal year expenditures by CFDA number to the Comptroller who prepares the statewide Schedule of Expenditures of Federal Awards that reports such fiscal year expenditures by CFDA number on a statewide basis. We noted that DLLR did not reconcile fiscal year expenditure amounts reported on the expenditure reports submitted to the federal grantor agency to the fiscal year expenditure amounts reported by DLLR on their Schedule G's.

Fiscal Year Amounts Reported on Schedule G	Fiscal Year Amounts Reported on the SF-269	Difference
\$ 58,674,675	\$ 57,688,629	\$ (986,046)

Criteria:

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

Cause:

DLLR did not adequately reconcile expenditures reported by CFDA number on the fiscal year expenditure reports submitted to the federal grantor agency, to the fiscal year amounts reported on the Schedule G by CFDA number.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-15 (continued)

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, 2002 for CFDA 17.225 are not adequate.

Recommendation:

For each fiscal year, DLLR should reconcile fiscal year expenditures reported by CFDA number on the fiscal year expenditure reports submitted to the grantor agencies to fiscal year expenditures reported by CFDA number on the DLLR Schedule G.

Auditee Response and Correction 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.

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 2002-16

**Department of Labor, Licensing, and Regulations (DLLR)
CFDA No. 17.225 – Unemployment Insurance Program**

Payroll and indirect expenses reported on the quarterly expenditure reports submitted to the federal grantor agency are not reconciled to amounts reported on the State’s Schedule of Expenditures of Federal Awards.

Condition:

DLLR’s Unemployment Insurance (UI) Program’s payroll charges are recorded in two separate ways in (1) the State’s general ledger accounting system (R*Stars) which are books and records from which the State’s financial statements and Schedule of Expenditures of Federal Awards is prepared and (2) DLLR’s internal grant accounting system. DLLR’s internal grant accounting system is used to facilitate the preparation of quarterly expenditure reports submitted to the federal grantor agency. DLLR personnel told the auditors that neither system alone and completely represents actual payroll costs. Rather, the payroll expenses recorded in R*Stars are derived by taking total hours charged to the V grants, dividing by total hours charged for the payroll cycle, and multiplying the result by total payroll costs for the payroll cycle. The payroll expenses charged in the DLLR internal grant accounting system are based on actual timesheets. The hours charged to the V grants per timesheets are multiplied by the month-end actual hourly employee rate. Employee rate changes are not taken into consideration when this calculation is performed.

The payroll charges reported in R*Stars are then reported on the DLLR’s Schedule G which is the source for the State’s Schedule of Expenditures of Federal Awards (SEFA). The payroll charges reported in the DLLR internal grant accounting system are reported on the SF-269 quarterly reports submitted to the federal grantor agency.

Payroll costs on the R*STARS system, representing the books and records from which the State’s financial statements and the State’s Schedule of Expenditures of Federal Awards are prepared, are not reconciled to payroll costs reported on DLLR’s internal grant accounting system used to support expenditure reports submitted to the federal grantor agency.

	<u>Per Schedule G</u>	<u>Per SF 269</u>	<u>Difference</u>
Payroll Costs	\$ 27,499,971	\$ 27,346,501	\$ 153,470

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-16 (continued)

Thus, payroll costs reported on the SF 269 expenditure reports are not fully reconcilable and/or supported by the books and records from which the State's financial statements and SEFA are prepared.

Indirect expenses charged in the State's R*STARS system and ultimately the State's SEFA are based on an indirect cost rate agreement approved in 1996 multiplied by the payroll expenses charged in the R*STARS system as stated previously in the condition. These payroll expenses reported in R*STARS are not based on actual payroll expenses or after-the-fact distribution of the actual activity of each employee.

Indirect expenses charged in the DLLR internal grant accounting system reports submitted to the federal grantor agency and ultimately the quarterly expenditure are based on an indirect cost rate agreement approved in 1996 multiplied by the payroll expense charged in the grant accounting system.

Indirect expenses reported in R*STARS and in the SEFA are not reconciled to indirect expenses reported in the DLLR internal grant accounting system.

	<u>Per Schedule G</u>	<u>Per SF 269</u>	<u>Difference</u>
Indirect Costs	\$ 7,695,976	\$ 7,354,029	\$ 341,947

Additionally, federal DLLR drawdowns under the UI grant are based on expenditures originally recorded from the R*STARS system.

Criteria:

Circular No. A-87, "Cost Principles for State, Local, and Indian Tribal Governments," Section 11(h)5 states:

"Personnel activity reports or equivalent documentation must meet the following standards:

- (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
- (b) They must account for the total activity for which each employee is compensated,

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-16 (continued)

- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- (d) They must be signed by the employee.
- (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but May be used for interim accounting purposes, provided that:
 - (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed,
 - (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed May be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
 - (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

Cause:

DLLR personnel indicated that the current systems do not properly reflect payroll and indirect costs due to system limitations and lack of formal periodic reconciliation.

Effect:

Payroll and indirect expenses per the SF 269 reports submitted to the grantor agency are not reconciled with payroll expenses reported in the State's SEFA. Related DLLR indirect costs are not properly calculated in the R*STARS system based on the inaccuracy of payroll expenses reported in R*STARS that the indirect cost rate is applied to. Since federal DLLR drawdowns under the UI program are based on the expenses reported in the R*STARS system, payroll and indirect expenses reported in the R*STARS in excess of the DLLR internal grant accounting system of \$495,417 are questioned.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-16 (continued)

Recommendation:

DLLR should enhance its processes to ensure actual payroll costs are calculated and supported in accordance with OMB Circular A-87. Further, DLLR should have one set of accounting records that support federal expenditures. These records should be used to prepare all federal financial reports submitted to the grantor agency and the Schedule G. Should adjustments be needed for reporting purposes on either the Schedule G or the expenditure reports submitted to the grantor agency, DLLR should ensure reconciliations occur between the State's accounting records (Schedule G/R*STARS) and the internal grant accounting system supporting financial reports submitted to the grantor agency. DLLR should determine the effect of these and ensure that appropriate adjustments are made. We recommend that DLLR pursue resolution of the questioned costs with the U.S. Department of Labor.

Auditee Response and Correction Action Plan:

The agency does not fully concur with this finding. DLLR complies with Circular No. A-87, "Cost Principles for State, Local, and Indian Tribe Governments," Sections a through e, as stated above. All grant reports submitted (SF 269) can be supported with personnel activity reports and indirect costs that meet the requirements of Circular No. A-87. Federal draw downs are initially based upon estimates within the R*STARS system. The draw downs are always corrected to grant expenditures reported on the SF 269 reports by the expiration of the grant. DLLR acknowledges a lack of reconciliation between the two systems. The Secretary of the Department 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.

Auditor's Conclusion:

We agree with the auditee response that grant reports submitted via SF-269 can be supported with personnel activity reports as required by OMB Circular A-87. The Department has not followed the provisions of OMB Circular A-187 for the payroll expenditures reported on the Schedule G and the resultant Schedule of Expenditures of Federal Awards. Additionally, internal controls should exist throughout the year to ensure that the expenditures recorded in the Department's original books and records (R*STARS) properly reflect **all** amounts reported to the federal government, not only at the expiration of the grant. Based on the Department's response, 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 2002-17

Maryland State Department of Education (MSDE)

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

Eligibility is not being determined within the prescribed 60-day time requirement.

Condition:

We identified five students from a sample of 30 files where eligibility was not determined within the specified period by the MSDE. The files did not have eligibility determined within the 60-day timeframe, nor was their evidence of “extension of time to deem eligible” indicating that it would take longer to determine eligibility for the student. The exceptions were found in the Hagerstown, Baltimore City, and Towson areas.

Criteria:

29 USC 722(a)(6)) states:

“The designated State unit shall determine whether an individual is eligible for vocational rehabilitation services under this subchapter within a reasonable period of time, not to exceed 60 days, after the individual has submitted an application for the services unless:

- (A) exceptional and unforeseen circumstances beyond the control of the designated State unit preclude making an eligibility determination within 60 days and the designated State unit and the individual agree to a specific extension of time; or
- (B) the designated State unit is exploring an individual’s abilities, capabilities, and capacity to perform in work situations under paragraph (2)(B).”

Additionally, 29 USC 722, paragraph (2)(B) states:

“The designated State unit shall explore the individual’s abilities, capabilities, and capacity to perform in work situations, through the use of trial work experiences, with appropriate supports provided through the designated State unit, except under limited circumstances when an individual cannot take advantage of such experiences. Such experiences shall be of sufficient variety and over a sufficient period of time to determine the eligibility of the individual or to determine the existence of clear and convincing evidence that the individual is incapable of benefiting in terms of an employment

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-17 (continued)

outcome from vocational rehabilitation services due to the severity of the disability of the individual.”

Cause:

The vocational rehabilitation counselor did not complete and/or include an “extension of time to deem eligibility” form to indicate that additional time would be required to deem eligibility for the individual.

Effect:

This finding results in noncompliance with the program’s eligibility requirements.

Recommendation:

The Division of Rehabilitation Services should ensure that all counselors are properly trained and aware of the time period to deem potential participants in the program eligible. Such training of counselors should include the specific procedures for completing an “extension of time to deem eligibility” form.

Auditee Response and Correction Action Plan:

The agency does not fully concur with this finding.

Corrective Action Plan:

The Division of Rehabilitation Services will implement the following corrective actions:

- Conduct statewide training regarding the requirement for 60-day eligibility decisions.
- Include training on appropriate procedures for the 60-day eligibility requirement and extension.
- Increase monitoring through case reviews and the Division’s automated case management system.

Anticipated Implementation Date:

Statewide training – April 1, 2003

Monitoring – July 1, 2003

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-17 (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 2002-18

Maryland State Department of Education (MSDE)

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

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

Internal control weaknesses over recording and reporting of federal revenue and related cash management activities.

Condition:

We noted that federal revenues per the MSDE's accounting records for the fiscal year ended June 30, 2002 for CFDA No. 84.126 were not reconciled to federal revenues per the E-Payment System.

Federal Revenue per R*STARS System	Federal Revenue Per E-Payment System	Difference
\$ 34,145,681	\$ 35,004,246	\$ (858,565)

Additionally, segregation of duties can be enhanced in part through supervisory reviews and the establishment of written policies and procedures related to the following federal draw down and cash management activities which include but are not limited to the following areas:

1. Identifying to the federal government the date of reimbursement for purposes of federal draw down reporting.
2. Ensuring that requests for reimbursement from the federal government are executed in accordance with the terms of the federal/state Cash Management Improvement Act.
3. Investigating any federal cash discrepancies.
4. Preparing the journal entry to reclassify federal funds received from the State Treasurer's Office default account for the Department of Education to the proper federal program.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-18 (continued)

Criteria:

Some of the objectives of internal control pertaining to the compliance requirements for federal programs are noted in Office of Management and Budget (OMB) Circular A-133.105(1)(i) and 105(2)(i) are:

“Transactions are properly recorded and accounted for to permit the preparation of reliable financial statements and federal reports. Transactions are executed in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on a federal program.”

Furthermore, OMB Circular A-133.300(c) 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 MSDE had experienced staff turnover and a hiring freeze during the year. The increase in workloads of existing employees during this affected the time available to review work processed and perform the necessary reconciliations. Additionally, limited segregation of duties in the key functions of authorization, execution, recording and reporting of federal draw downs and revenues May be due to the lack of written policies and procedures in these areas.

Effect:

The appropriate reconciliations on a CFDA number basis between amounts drawn from the federal government to those recorded in R*STARS.

Additionally, as a result of there being limited segregation of duties in the key functions of authorization, execution, recording, and reporting of federal draw downs and revenues, internal controls over cash management related activities can be enhanced.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-18 (continued)

Recommendation:

Based on the above, we recommend that the Maryland State Department of Education reconcile for a particular federal CFDA number for the fiscal year per their records of cash received from the federal government to what is recorded as federal revenue on the R*STARS for that CFDA number to ensure that federal revenues and related federal receivables are accurately reported on the State's financial statements.

We also recommend that the Maryland State Department of Education enhance internal controls over cash management activities by enhancing segregation of duties in part through the use of documented supervisory reviews and the establishment of written policies and procedures in the areas of authorization, execution, recording and reporting of federal draw downs and revenues.

Auditee Response and Correction Action Plan:

MSDE concurs with this finding.

Corrective Action Plan

MSDE has adopted the following procedures to segregate duties for authorization, execution, recording, and reporting of federal funds.

- The General Accounting Supervisor will run reports to draw in funds for the following:
 - Cash Management Improvement Act Grants (weekly)
 - Non-Cash Management Improvement Act Grants (monthly)
 - Payroll Disbursements for all grants (one day after funds are expended)
- The General Accounting Supervisor will forward the information to the Accounts Payable Supervisor who will access GAPS system and draw in the funds for grants at the appropriate time and forward the draw down to the General Accounting Supervisor. The General Accounting Supervisor will prepare the journal entries to redistribute the funds in R*STARS.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-18 (continued)

- At year end, the General Accounting Supervisor and Chief of the Accounting Branch will prepare the Schedule G revenues and expenditures by CFDA by utilizing the following reports:
 - DAR G100 (fund balance for revenues, expenditures, and receivables for federal funds)
 - DAFR 8560 (federal expenditures)
 - DAFR 8400 (federal revenues)

Anticipated Implementation Date

Plan as been implemented.

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 2002-19

Maryland Transit Administration (MTA)

CFDA No. 20.205 – Federal Transit: Capital Investment Grants

CFDA No. 20.507 – Federal Transit: Formula Grants

Documentation supporting costs charged to the federal grants was not adequate to ensure the costs were reasonable and or allowable.

Condition:

Allowable costs are defined by prices, quantities, and other specifications described in grant agreements, vendor contracts and purchase orders. We reviewed a random sample of 29 transactions from these programs. We determined that 2 of the 29 transactions reviewed contained expenditures for unallowable costs. These unallowable costs were not material, however, it does represent a weakness in the MTA internal control over the approval of grant invoices.

We also determined documentation supporting the procurement for an additional 2 of the 29 transactions was not sufficient to determine whether these costs were reasonable. These two transactions were charged to Grant 90-0057 for parts (\$8,943.37) and installation (\$797.11) charges for bus engine upgrades. The total charges to this grant for these procurements for these engine upgrades exceeded \$338,000. As a result, we cannot attest to the allowability of these costs in accordance with the grant agreement.

Criteria:

OMB Circular A-87(c)(1) and (2) state:

“Factors affecting allowability of costs: To be allowable under federal awards, costs must meet the following general criteria:

- Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the federal award, or other governing regulations as to types or amounts of cost items.
- Be adequately documented.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-19 (continued)

- A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when governmental units or components are predominately federally funded. In determining reasonableness of a given cost, consideration shall be given to:
 - The restraints or requirements imposed by such factors as: sound business practices; arms length bargaining; Federal, State and other laws and regulations; and, terms and conditions of the federal award.
 - Market prices for comparable goods or services.”

Cause:

The MTA internal controls were not adequate to detect all unallowable costs. Additionally, controls were not adequate to ensure proper documentation of procurement for these bus engine upgrades.

Effect:

Federal grants were charged with costs without sufficient documentation to verify whether they were reasonable in nature and allowable. Federal expenditures in the amount of \$338,000 are questioned.

Recommendation:

MTA should strengthen internal controls to ensure all expenditures are allowable. Additionally MTA should strengthen controls to ensure procurements are properly documented and allowable in accordance with grant agreements. MTA should determine the allowability of the costs identified in the condition above and pursue appropriate settlement with FTA.

Auditee Response and Corrective Action Plan:

The MTA has strengthened its internal controls to ensure procurements are properly documented by:

- Increasing accountability of end users to limit services to original scope of work as identified on the purchase order.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-19 (continued)

- Establishing standards and a reporting process to identify time periods for open purchase requests.
- Restructuring coding processes to better identify open orders and provide tracking mechanisms along the critical paths.
- Developing a reporting mechanism to identify the amount of time a purchase order remains open where material has not been received for internal and external accountability.
- Developing standard procedures that specifically identify responsibilities of the Purchasing and Contracts Departments associated with services contracts that also provide commodities. The MTA is working to establish written business flow processes for all tasks associated with purchasing and inventory.

The MTA will discuss the allowability of the cost identified in Grant 90-0057 for parts and installation charges for bus engine upgrades with the Federal Transit Administration. The MTA will pursue appropriate settlement with the FTA accordingly.

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 2002-20

Maryland Transit Administration (MTA)

Federal Transit Cluster

CFDA No. 20.500 – Federal Transit Capital Investment Grants

CFDA No. 20.507 – Federal Transit Formula Grants

The Maryland Transit Administration did not calculate nor report interest earned on federal funds received when the related disbursements to vendors were withheld due to tax liabilities owed to the State by the vendor.

Condition:

The Maryland Transit Administration did not calculate interest on Federal funds received and report such interest to the federal government in accordance with the requirements in the Cash Management Improvement Act (CMIA) Agreement between the State Treasurer of Maryland and the Secretary of the Treasury – United States Department of Treasury. We reviewed ten vendor payments totaling approximately \$5.7 million and noted that two payments to vendors totaling \$855,689 (one for \$258,502 and another for \$597,187) in federal funds were withheld because the vendors had an outstanding tax liability with the State. The \$855,689 in vendor payments was charged to the federal grant and federal funds were reimbursed and credited to the State account; however, MTA did not calculate interest on those funds and reported the interest to the federal government in accordance with the CMIA agreement. MTA estimated that during the fiscal year ended June 30, 2002, between 15 and 20 vendor payments were withheld due to those vendors having outstanding tax liabilities with the State. MTA did not calculate interest on these funds based on the date the federal funds were credited to the State account versus the date that the funds paid to the vendors cleared the State’s bank account or report the interest to the State as required by the CMIA agreement.

Amount	Federal Portion of Invoice	Date Federal Funds Were Received by MTA	Date Check to Vendor Cleared
\$ 323,128	\$ 258,502	January 14, 2001	January 18, 2001
746,484	597,187	November 26, 2001	November 27, 2001
<u>\$ 1,069,612</u>	<u>\$ 855,689</u>		

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-20 (continued)

Criteria:

Section 8.6.1 of the CMIA Agreement requires:

“The State shall be liable for interest on federal funds the date federal funds are credited to a State account, until the date those funds are paid out from the account for program purposes.”

Additionally, 31 CFR Section 205.19 (c) states:

“A State must calculate and report interest liabilities on the basis of its fiscal year. A State must ensure that its interest calculations are auditable and retain a record of the calculations.”

Cause:

MTA personnel were unaware that interest should be calculated on federal funds that were received but ultimately not disbursed to vendors.

Effect:

The MTA is not in compliance with the requirements of the Cash Management Improvement Act Agreement between the State Treasurer of Maryland and the Secretary of the Treasury, United States Department of the Treasury.

Recommendation:

We recommend that MTA comply with the requirements of the CMIA agreement and calculate interest on Federal funds from the date they are received and credited to the State account until they are paid out from that account for program purposes. Such interest should be reported to the Federal Government in accordance with the CMIA agreement.

Auditee Response and Correction Action Plan:

The Administration uses the average clearance funding technique that is an approved funding technique per the CMIA agreement. Therefore, no correction action is necessary.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-20 (continued)

Auditor's Conclusion:

We did not state in our finding that the MTA did not use the average clearance funding technique. The response has not addressed the condition of the finding. Based on the response, 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 2002-21

Department of Health and Mental Hygiene CFDA No. 93.775, 93.777 and 93.778 – Medicaid Cluster

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 Medical Assistance cases processed during the fiscal year ended June 30, 2002 and noted that 9 of the 40 cases (22.5%) lacked the required documentation or verifications to determine eligibility. We reviewed the applicant's case files and noted the following:

- 2 case files could not be located by the Department of Human Resources
- For 2 of the 40 cases the applicant did not provide a social security number
- For 2 of the 40 cases the applicant's income was not verified
- For 2 of the 40 cases the resources amount used in the computation was incorrect
- For 1 of the 40 cases the applicant's resources were not verified

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 2002.

Additionally, we noted that adequate supervisory reviews of eligibility determinations are not being performed.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-21 (continued)

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 others were issued.”

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.”

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-21 (continued)

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.”

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:

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. Additionally, internal controls are insufficient to provide adequate oversight and reviews of the eligibility determination function.

Effect:

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

Recommendation:

We recommend the DHMH and DHR comply with established regulations for determining eligibility which includes obtaining the required documentation and performing verifications to support eligibility decisions. Additionally, DHMH should pursue recovery of any medical assistance payments made to ineligible applicants.

Auditee Response and Corrective Action Plan:

The Department of Human Resources, Family Investment Administration (FIA), is responsible for oversight of local departments of social services who determine eligibility and maintain case files per the MOU between DHMH and DHR. The Executive Director of the Office of Operations and Eligibility will send a letter to the Executive Director of FIA to advise him of the audit findings and request a corrective action plan. DHMH will investigate those ineligible cases and, if appropriate, refer them to the Division of Recovery and Finance for recovery of payments.

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 2002-22

**Department of Health and Mental Hygiene (DHMH)
CFDA No. 93.775, 93.777 and 93.778 – Medicaid Cluster**

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 15 cash draw down requests totaling \$447 million and noted no audit evidence that requests were reviewed and approved 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 do not require formal documentation of reviews.

Effect:

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

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.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-22 (continued)

Auditee Response and Corrective Action Plan:

The Department of Health and Mental Hygiene, Office of Planning and Finance has always maintained internal control procedures, which included a review and approval of cash drawdowns for medical assistance expenditures prior to submission. All cash drawdowns are prepared by a staff accountant and reviewed and approved by the Chief of Budgeting/Accounting/Revenue prior to submission to General Accounting. To substantiate the review process and approval of cash drawdowns, a signature of the Chief of Budgeting/Accounting/Revenue or a supervisor will be included on the drawdown request when it is forwarded to General Accounting Department.

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 2002-23

**Department of Health and Mental Hygiene
CFDA No. 93.775, 93.777 and 93.778 – Medicaid Cluster**

Medical Assistance expenditures reported on the CMS-64 report were not accurate for the individual types of services.

Condition:

During our review we noted that DHMH did not have adequate internal controls to record accurate medical expenditures by type of service on the CMS-64 report. We reviewed 10 types of service on the CMS-64 report totaling \$564 million and noted that 6 of the 10 categories had differences totaling \$.5 million in the aggregate. There are different Federal Financial Participation (FFP) rates that apply to medical assistance payments based on the type of service. Therefore, the expenditures associated with each category of service must be accurate to ensure proper Federal reimbursement. As a result, internal controls are inadequate to ensure proper coding of individual categories of services.

Criteria:

42 CFR 433.10 (a) states, “Basis. Sections 1903(a)(1), 1903(g) and 1905(b) provide for payments to States, on the basis of a Federal medical assistance percentage, for part of their expenditures for services under an approved State plan.”

42 CFR 433.32 states, “A State plan must provide that the Medicaid agency and, where applicable, local agencies administering the plan will-

- (a) Maintain an accounting system and supporting fiscal records to assure that claims for Federal funds are in accord with applicable Federal requirements.”

Cause:

The waivers for the individual categories of service were not coded to the proper category of service.

Effect:

Improper matching of medical expenditures to individual categories of service was noted.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-23 (continued)

Recommendation:

We recommend that DHMH establish internal control procedures to ensure that medical expenditures reported on the CMS-64 reports for the individual categories of service are accurately reported.

Auditee Response and Corrective Action Plan:

The audit finding incorrectly associates the categorization of payments by service type (i.e., Inpatient, Physician, etc.) with appropriate percentages of FFP claims. They are two separate issues, and with regard to Maryland's claiming procedures, they are unrelated.

Maryland's regular FMAP rate is 50%. An enhanced rate of 90% is claimed for Family Planning, and 65% for expenditures related to Women's Breast and Cervical Cancer. By far, the most significant enhanced claim is for the 90% Family Planning expenditures. The majority of the 90% Family Planning dollars claimed are based on an allocation of a percentage of Managed Care Organization (MCO) expenditures to Family Planning. This allocation is done manually, based on net MCO expenditures taken directly from the MMIS reports. The claim is posted directly to the CMS-64 from the separate work papers used to calculate this allocation, and is unaffected by any mis-categorization of service types on the CMS-64. This is clearly demonstrable from our work papers.

Regarding the separate issue of categorization of expenditures, we are ready to work with CMS to present the information in the manner that they require. There have been many quarterly CMS reviews of the presentation of our expenditure data, and no exception has been brought to our attention. Therefore, we are under the impression that the current presentation meets their requirements.

The Federal Government requires the State of Maryland to report "total computable" expenditures for federal fund reimbursement. Total computable means only those expenditures eligible for some percentage of federal reimbursement; therefore, "state only" expenditures are excluded.

In preparing the CMS-64 report, the 64.9 Base section of the report is stated in "gross payments" before adjustments and TPL collections. Source report MMIS II – HMF4545.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-23 (continued)

The 64.9 Waiver portion of the report is stated in “net payments” after adjustments for Waiver-related TPL collections. Source reports MMIS II – HMF4546 – 4549. In recent conversations with CMS Headquarters Office, it was confirmed to us that the reporting of Waiver expenditures should be in terms of net expenditures in order to accurately track budget neutrality.

It would appear that this mix-and-match of gross and net expenditures on the forms 64.9 is the source of concern. We can certainly work with CMS to change this presentation, if so desired. However, the 64 Summary page correctly categorizes gross expenditures on line 6, increasing prior period adjustments on line 7, TPL and other adjustments on lines 9a-9d, and decreasing prior period adjustments on line 10, with resultant, accurate net expenditures on line 11.

Auditor’s Conclusion:

Supporting documentation for the amounts reported under the service type gross computable column did not agree to the amounts on the CMS-64 report. 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 2002-24

CFDA No. 93.775, 93.777 and 93.778 – Medicaid Cluster

The Department of Health and Mental Hygiene and the State Treasurer’s Office did not maintain documentation supporting the Department of Health and Mental Hygiene’s Average Clearance – Vendor Medical Assistance Program – Provider Payments clearance pattern 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 Department of Health and Mental Hygiene and the State Treasurer’s Office did not maintain documentation to support the Department of Health and Mental Hygiene’s Average Clearance – Vendor Medical Assistance Program – Provider Payments 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). The clearance pattern consists of the General Accounting Division processing time and the check clearance time. The Department of Health and Mental Hygiene did not maintain documentation utilized to support this processing time as noted in the CMIA agreement. The State Treasurer’s Office did not provide documentation, which will support the check clearance time noted in the CMIA agreement. Finding number 2002-10 addresses the State Treasurer’s Office condition.

Criteria:

31 CFR 205.17C states, “Recordkeeping: A State shall maintain records supporting interest calculations, clearance patterns, direct costs, and other functions directly pertinent to the implementation and administration of the subpart.”

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.”

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-24 (continued)

Cause:

The Department of Health and Mental Hygiene did not maintain documentation supporting the basis for development of the General Accounting Division processing time component.

Effect:

The Department of Health and Mental Hygiene is not in compliance with the federal regulations relative to maintaining auditable evidence supporting the components of the clearance pattern denoted in the CMIA Agreement and noted in the finding. We cannot determine if the Department of Health and Mental Hygiene complied with the appropriate standards of the check clearance pattern per the federal regulations.

Recommendation:

We recommend that the Department of Health and Mental Hygiene maintain the documentation to support the components used in the development of the average clearance-vendor Medical Assistance Program-Provider Payments in the CMIA Agreement.

Auditee 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.

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 2002-25

Department of Health and Mental Hygiene (DHMH) CFDA No. 93.775, 93.777 and 93.778 – Medicaid Cluster

DHMH should develop internal controls over the interface process of the eligibility system, Client Automated Resource Eligibility System, to the medical payment system, Management Information System II and develop daily reports ensuring that interfaces were properly processed.

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), approximately 12,000 recipients whose Medicaid eligibility had been properly canceled in CARES were improperly extended Medicaid coverage for periods ranging from two months to more than four years, according to the DHMH's records. Specifically, in August 2002, the DHMH identified approximately 12,000 recipients whose Medicaid eligibility had been properly canceled by DHR during fiscal years 1998 through 2002 but were still active on the DHMH's system and receiving coverage. Furthermore, the DHMH did not terminate coverage for these individuals until February 2003, six months after they were first identified. The DHMH had not determined any potential Federal liability related to this matter. According to the DHMH's records, claims totaling \$10.8 million applicable to 6,780 of these 12,000 recipients were improperly paid during fiscal year 2002 after the recipients' eligibility had been cancelled by DHR. Similar improper claims were likely paid for some of these 12,000 recipients in fiscal years 1999 through 2001, and in 2003 until the coverage was terminated effective February 28, 2003.

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. Additionally, control reports were not utilized for the purposes of detecting such processing errors.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-25 (continued)

Effect:

Ineligible Medicaid recipients were extended coverage for extended periods of time. As a result, funds were paid to these recipients in error. 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 reconciliation reports be developed, generated and reviewed on a daily basis. In doing so, there is greater assurance that all records will be received and processed as intended, and that processing errors will be detected and addressed in a timely manner. 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:

An error existed in the automated interface between CARES and 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. As indicated, on February 28, 2003, DHMH closed approximately 12,000 cases. However, as of today's date, approximately 2,700 have been reopened by the local Departments of Social Services as a result of the recipient reapplying and being determined eligible in other coverage groups, resulting in no loss of Medical Assistance eligibility. In addition, regulations do not permit recovery of funds from providers under these circumstances. Therefore, recoupment from providers should not be pursued.

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 2002-26

**Department of Health and Mental Hygiene (DHMH)
CFDA No. 93.775, 93.777 and 93.778 – Medicaid Cluster**

DHMH should develop and maintain adequate internal control over Medicaid Management Information System II (MMIS II) access.

Condition:

We noted several internal control weaknesses related to the Medicaid Management Information System II (MMIS-II), which is used by DHMH, to validate the claim submitted by the provider and/or the participant, the service provided as well as the authorization of payment. Specifically we found that MMIS-II passwords are written down in a notebook and stored on a shelf in the Security Administrator's area, MMIS-II passwords are four characters in length, there are no password strength requirements, and MMIS-II passwords are never changed. Weak password parameters increase the risk that brute force and password-guessing attacks will prove successful.

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 MMIS-II application was not designed with strong security controls in mind. As a result, the password facility within the application does not support generally accepted password strength requirements.

Effect:

Weak password parameters increase the risk that brute force and password-guessing attacks will prove successful, and that confidential information will be disclosed or modified by unauthorized individuals. Anyone with a valid mainframe ID and access to MMIS-II application could attempt to enter the User ID and password of another user. If the password of another (and more powerful) user were compromised, an individual could give himself or herself the ability to set themselves up as a valid provider, enter a false claim, and initiate payment to themselves. In effect, they could gain control over the entire lifecycle of a Medicaid claim.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2002-26 (continued)

Recommendation:

We recommend that DHMH augment the password capabilities within the MMIS-II application. Enhancements should be made as they relate to password length requirement, password complexity requirement, and password change interval. Additionally, we recommend that UserIDs and passwords of MMIS-II users not be written down in a notebook. Passwords should only be known to the users themselves, and should not be known/recorded by the IT Security Administrator.

Auditee Response and Corrective Action Plan:

The Administration does not concur with the recommendation. The MMIS has two (2) levels of security. First, users must have a valid ACF2 logon and password to gain access to the MMIS region. The password cannot be the same as the user ID, must be eight (8) characters, must contain alpha and numeric characters, and cannot have more than two (2) consecutive identical characters. Once access has been granted through ACF2, the user will be prompted to enter his/her MMIS user ID and password (second level) after entering the transaction ID for MMIS. Most online applications allow users to access online regions after ACF2 or RACF validation. The MMIS was certified by the Centers for Medicare and Medicaid (CMS) formerly known as Health Care Finance Administration (HCFA). To re-engineer the Security subsystem within MMIS would require a major rewrite of the entire MMIS. The Administration will work with the Information Resource Management Administration (IRMA) to store UserIDs and password information electronically and in a secured manner.

Auditor's Conclusion:

The Administration agrees with the need for storing MMIS-II user IDs and passwords in a secure manner. On the issue of weak MMIS-II password controls, we still believe that because MMIS-II application IDs are not tied to ACF2 logon IDs, a valid ACF2 user could logon with any MMIS-II ID for which the ID/password combination is known. As a result, the strength of the MMIS-II authentication mechanism remains an important part of a defense-in-depth security strategy. Although the costs of implementing safeguards should be considered when making management decisions, the fact that a safeguard is too costly does not mean that the risk is effectively mitigated. Should the State of Maryland determine that the cost of modifying the MMIS-II security subsystem is unreasonable, other compensating controls (such as, manually enforced password composition requirements and manually change passwords on a period basis) which would mitigate the identified risk should be considered. Based on the above, the finding remains as stated.

State of Maryland
Summary Schedule of Prior Audit Findings

As of February 28, 2003

Single Audit Findings for Fiscal Year Ended June 30, 2001

Department Labor, Licensing and Regulation
Program Workforce Investment Act
CFDA Number 17.255
Finding Number 2001-1
Comment **Unresolved by the Federal Government - Original Response and Corrective Action Plan:** The agency concurs with the audit finding. Current reporting methods do not allow a complete reconciliation between federal expenditure reports and expenditures on Schedule G. The method used to calculate personal service and personal benefit costs for the federal programs differs from the actual payroll calculations used and reported on Schedule G. The agency is currently reviewing alternative solutions, including new methods of time distribution that will allow a reconciliation of personal service cost and personal benefit cost between federal reporting and Schedule G. A timetable for completion of this task is difficult at best because the magnitude and scope of such a task is so large. Currently, the agency is at the early discussion, review, and planning stages of this project. If the decision is made to implement a new time distribution system, a timetable of 12 to 24 months to completion is not unusual or unreasonable.

Auditee Updated Response: There is no change to the agency's response. The State's R*STARS grant accounting system does not include a time distribution system. Time distribution is required by the grantor agency.

Department Labor, Licensing and Regulation
Program Workforce Investment Act
CFDA Number 17.255
Finding Number 2001-2
Comment **Resolved by the Federal Government -** Per the USDOL final determination letter dated January 3, 2003, the agency concurs with this finding. JTPA carryover funds that were expended for WIA purposes should have been footnoted as WIA expenditures as recommended in the OMB Circular A-133 Compliance Supplement and not a requirement. The agency plans to observe the recommendation when preparing Schedule G in future periods. The agency submitted a revised Schedule G showing JTPA carryover funds that were expended for WIA purposes in fiscal year 2002 were properly footnoted on the fiscal year 2002 Schedule G.

Determination: Based on the documentation submitted by the grantor, this finding is corrected.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2001 (continued)

Department Labor, Licensing and Regulation
Program Workforce Investment Act
CFDA Number 17.255
Finding Number 2001-3
Comment **Resolved by the Federal Government** - Per the UDSOL final determination letter of January 3, 2003, the agency acknowledges the error in calculation of payroll expenses to be used for the federal draw down purposes. The agency submitted documentation showing that credits were entered on the federal payment management system on March 12, 18, 26, and 29, returning \$963,440 to the Department of Labor.

Determination: Based on the documentation submitted by the grantee, costs of \$963,440 remain disallowed, but not subject to debt collection.

Department Labor, Licensing and Regulation
Program Workforce Investment Act
CFDA Number 17.255
Finding Number 2001-4
Comment **Resolved by the Federal Government** - Per the USDOL final determination letter of January 3, 2003, the DDLR Office of Employment Training concurs with this finding. The agency submitted copies of the auditor's cover letter for program year 2001, OMB Circular A-133 audit report on the Prince George's Workforce Services Corporation. The agency also submitted copies of on-site program monitoring for both PGWSC and Montgomery County.

Determination: Based on the documentation submitted by the grantee, this finding is corrected.

Department Transportation
State Highway Administration
Program Highway Planning and Construction Cluster
CFDA Number 20.205 and 23.003
Finding Number 2001-5
Comment **Unresolved by the Federal Government** - The State Highway Administration has received the single audit reports for all subrecipients that had \$300,000 or more in federal funds for the 2001 fiscal year. Also, as stated in the original response, the log maintained by the State Highway Administration was modified to include the federal dollar amounts passed through to the subrecipients. Additionally, the subrecipients have been contacted to ensure timely submittal of the required audit reports.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2001 (continued)

Department Education
Program Class Size Reduction
CFDA Number 84.340
Finding Number 2001-6
Comment **Unresolved by the Federal Government – Corrective Action Plan:** MSDE has adopted the following procedures to segregate duties for authorization, execution, recording, and reporting of federal funds.

- The General Accounting Supervisor will run reports to draw in funds for the following:
 - Cash Management Improvement Act Grants (monthly)
 - Non-Cash Management Improvement Act Grants (monthly)
 - Payroll Disbursements for all grants (one day after funds are expended)
- The General Accounting Supervisor will forward the information to the Accounts Payable Supervisor who will access GAPS system and draw in the funds for grants at the appropriate time and forward the draw-down to the General Accounting Supervisor. The General Accounting Supervisor will prepare a journal to redistribute the funds in R*STARS.
- At year end, the General Accounting Supervisor and Chief of the Accounting Branch will prepare the Schedule G revenues and expenditures by CFDA by utilizing the following reports:
 - DAR G100 (fund balance for revenues, expenditures, and receivable for federal funds)
 - DAFR 8560 (federal expenditures)
 - DAFR 8400 (federal revenues)

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, 2001 (continued)

<i>Department</i>	Human Resources
<i>Program</i>	Empowerment Zones Program
<i>CFDA Number</i>	93.585
<i>Finding Number</i>	2001-7
<i>Comment</i>	<p>Unresolved by the Federal Government – Previous Response and Corrective Action: The Department concurred with the finding and the Department’s project director sent notification to the subrecipient reminding them of the annual audit requirements under the Single Audit Act of 1984 and the OMB Circular A-133. The Department immediately requested and received a copy of the A-133 audit for 2000 and subsequently requested and received the 2001 audit from the subrecipient. Grants Management staff and the project director have implemented procedures to insure that annual audits are requested and received from the subrecipient.</p> <p>Update: The Department will obtain a copy of the 2002 audit from the subrecipient when it is completed, probably in mid-summer 2003.</p>

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2001 (continued)

Department Health and Mental Hygiene
Program Medicaid Cluster
CFDA Number 93.775, 93.777, and 93.778
Finding Number 2001-8
Comment **Unresolved by the Federal Government – Auditee Response and Corrective Action Plan:** The DHMH Audit Division will ensure compliance of human services vendors with the audit requirements of OMB Circular A-133.

The Audit Division is establishing procedures to adequately monitor subrecipients' compliance with the audit requirements of OMB Circular A-133 and has already taken the following steps to correct the condition cited:

- Assigned an auditor to examine all relevant regulations and policies to become the Division's expert on OMB Circular A-133.
- Identified all subrecipients who have expended more than \$300,000 in federal funds and will request that they submit an A-133 audit report, if they have not already done so.
- Developed a Desk Review Form that will facilitate our review of single audit reports and our dissemination of the results to Program Directors. Our procedures will document the auditor's review and notification of management.

Update: Procedures have been established to monitor subrecipient compliance with the audit requirements of OMB Circular A-133.

All subrecipient Single Audit Reports required for fiscal years 1999, 2000, and 2001 have been received and reviewed by the Audit Division. In addition, the Audit Division has determined which human services subrecipients should submit a Single Audit Report for fiscal year 2002 and they have been notified of their contractual commitment to submit their report by March 31, 2003. A tracking system has been set up to monitor the receipt of reports from these subrecipients.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2001 (continued)

Department Health and Mental Hygiene
Program Medicaid Cluster
CFDA Number 93.775, 93.777, and 93.778
Finding Number 2001-9
Comment **Unresolved by the Federal Government – Auditee Response and Corrective Action Plan:**

Year-End Update: The Program has contacted an independent contractor and is currently involved in discussions concerning the need for a risk assessment/analyses of the Maryland Medicaid Information System (MMIS). Once the Program has handled the details of securing the contractor's services, the contractor can begin to conduct the system risk assessment/analyses at that time. The Program anticipates that this will occur in the very near future.

Current Status: The Program has contracted with Clifton Gunderson LLC (CG) to perform a risk assessment/analyses of existing as well as new systems for its MMIS. Program staff met with CG representatives on January 8, 2003 to initiate the effort. CG is currently interviewing Medical Care Program staff to gather information pertaining to the major applications within MMIS. Once the interviews are complete, CG will prepare a walk-through of the mission critical applications and systems. CG will also develop a questionnaire for staff to answer. The responses from the questionnaire will be utilized in performing the risk assessment to determine vulnerable areas. In addition, CG will assist the program in developing and implementing security plans.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2001 (continued)

Department State Treasurer's Office
Program Various
CFDA Number 10.553, 10.555, 10.558, 10.561, 17.207, 17.225, 17.250, 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, 93.767, 93.778, 93.917, 93.959, 93.994, and 96.001
Finding Number 2001-10
Comment **Unresolved by the Federal Government – Auditee Response:** The State Treasurer's Office in conjunction with the General Accounting Division (GAD) and the Central Payroll Division has reviewed and updated the clearance patterns for payroll and vendor payments. The supporting documentation resides in the Internal Audit Department of the State Treasurer's Office and will be in effect until June 30, 2007. If an adjustment is identified prior to June 2007, it will be corrected and an amendment will be prepared and submitted to the United States Treasury Department.

Department University System of Maryland; University of Maryland, Baltimore
Program Research and Development Cluster
CFDA Number Various
Finding Number 2001-1 (USM)
Comment **Unresolved by the Federal Government – Auditee Response and Corrective Action Plan:** There was an error in the coding of the Veterans Administration account that caused the account to be designated as a service agreement where it should have been designated as a sponsored agreement. This oversight has been corrected and the effort reports for this contract are now being collected and should be completed by the end of October 2001. We will pursue settlement with the Veterans Administration for the \$5,446.

Current Status: The institution has satisfied its time and effort reporting requirements and all are up-to-date as of this point in time.

The institution is in the process of refunding the unallowable charges under the Veterans Administration award. The refund should be processed during the spring 2003.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2001 (continued)

Department University System of Maryland; University of Maryland, Baltimore
Program Research and Development Cluster
CFDA Number Various
Finding Number 2001-2 (USM)
Comment **Unresolved by the Federal Government – Auditee Response and Corrective Action Plan:** UMB will ensure that procedures already in place are fully implemented and monitored. The existing subrecipient agreement database will be expanded to include all information referenced above.

Status: Subrecipient monitoring is complete and up-to-date, and the institution has implemented the actions noted in the corrective action plan.

Department University System of Maryland; Towson University; University of Maryland, College Park; University of Maryland; University College
Program Federal Pell Grant Program
CFDA Number 84.063
Finding Number 2001-3 (USM)
Comment **Unresolved by the Federal Government – Auditee Response and Corrective Action Plan:**

Towson University- The 2000-2001 award year was the initial year for processing Pell Grant originations and payment information using the existing compute software. Software related problems resulting in numerous delays in our ability to transmit data in a timely manner. This non-compliance was due to external factors (software vendor and Bowie Service Center issue resolution and testing) outside the realm of our control.

The 2000-2001 processing cycle resulted in the identification and resolution of most system related problems. This has served to ensure improvements in the 2001-2002 processing and reporting cycle. The first Pell origination records for 2001-2002 were transmitted on August 31, 2001 for 1,237 students and acknowledged on September 7, 2001. The first Pell disbursement records were transmitted on September 14, 2001 and acknowledged on September 18, 2001. The jobs associated with these processes will be scheduled monthly to ensure that we are in compliance.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2001 (continued)

Department University System of Maryland; Towson University; University of Maryland, College Park; University of Maryland; University College
Program Federal Pell Grant Program
CFDA Number 84.063
Finding Number 2001-3 (USM) (continued)
Comment **Unresolved by the Federal Government – Auditee Response and Corrective Action Plan:**

University of Maryland, College Park – The University agrees with this finding. The software that the University uses to administer student financial aid did not properly generate the Pell Grant origination and disbursement records for the Fall 2000 semester. A fix to this software was installed on October 23, 2000. The origination records were submitted on October 25, 2000 and the disbursement records were submitted on November 10, 2000. The University is now in full compliance for the reporting of origination and disbursement.

University of Maryland, University College – UMUC concurs with this audit finding. After careful review of the cause of this finding, we determined it could have been prevented if we had reviewed existing Rejection Reports. We have implemented procedures to generate Rejection Reports on a weekly basis and correct and resubmit any errors on a timely basis. This will ensure that UMUC submits all Pell origination records and Pell disbursement records to the Department of Education within the timeframe required by federal regulations.

Current Status:

Towson University – The Towson University Financial Aid Office continues to report Pell Grants within the federal 30-day requirement.

University of Maryland, College Park – This institution is in compliance with the reporting requirement.

University of Maryland, University College – UMUC has implemented procedures to generate and review Rejection Reports on a bi-weekly basis and correct and resubmit all errors in a timely manner. Since adopting the new procedures, all Pell Origination and Pell Disbursement records were submitted to the Department of Education within the timeframe required by federal regulations.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2001 (continued)

Department University System of Maryland; Coppin State College; University of Maryland, Baltimore County; University of Maryland, College Park
Program Student Financial Assistance Cluster
CFDA Number Various
Finding Number 2001-4 (USM)
Comment **Unresolved by the Federal Government – Auditee Response and Corrective Action Plan:**

Coppin State College - Coppin State College signed on with the National Student Loan Clearinghouse (NSLC) to be its designated Destination Point for the National Student Loan Data System (NSLDS) in March 1998. At the beginning, middle, and end of each semester, we send an electronic file to the Clearinghouse that updates our student enrollment. Every other month, NSLDS sends a roster to the NSLC to process. We have been in compliance since 1998.

On July 12, 2000, the College signed an agreement with the Department of Education to allow the transmitting of Perkins Loan data to and from NSLDS in this Office. This agreement was executed on July 25, 2000.

However, in applying for Perkins Loans services through NSLDS the participation agreement was prepared inaccurately causing Coppin to be dropped from the Clearinghouse. This problem was resolved immediately upon notification.

University of Maryland, Baltimore County—UMBC had two students whose student status changes were reported in 73 days rather than the 60 days required in the student status reporting timeline. Since we report our changes through the National Student Clearinghouse (NSLC), we are modifying our NSLC submission cycle to comply with the 60 day student status reporting timeline. During the spring 2002 term we will submit our last transmission 19 days earlier on June 2, 2002 rather than June 21, 2002. This will allow us to report the students who drop on the last official day to drop a class (April 8, 2002) within the 60-day window.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2001 (continued)

Department University System of Maryland; Coppin State College; University of Maryland, Baltimore County; University of Maryland, College Park
Program Student Financial Assistance Cluster
CFDA Number Various
Finding Number 2001-4 (USM) (continued)
Comment **Unresolved by the Federal Government – Auditee Response and Corrective Action Plan:**

University of Maryland, College Park—We agree with this finding. Commencing in Spring 2002, the Registrar’s Office will schedule an additional enrollment report each semester that will ensure all enrollment changes are reported within 60 days.

Current Status:

Coppin State College – As was indicated in the original finding, Coppin State College inadvertently terminated its contract with the National Student Loan Clearinghouse that sends the College’s Student Status Change Reports to the National Student Loan Data System in July 2000. The problem was corrected immediately upon notification. There have been no additional changes in procedures; therefore, the College is still in compliance with the Student Status Change Report regulations.

University of Maryland, Baltimore County – The institution has been in compliance with the requirements since June 2002.

University of Maryland, College Park – The institution has been in compliance with the requirements since Spring 2002.

Department University System of Maryland; University of Maryland, College Park
Program Cooperative Extension Service
CFDA Number 10.500
Finding Number 2001-5 (USM)
Comment **Unresolved by the Federal Government – Current Status:** The institution has implemented after the fact confirmations for all on-campus faculty and staff that work on multiple assignments to support payroll charges for the Cooperative Extension Service.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2001 (continued)

Department University System of Maryland; University of Maryland, College Park
Program Cooperative Extension Service
CFDA Number 10.500
Finding Number 2001-6 (USM)
Comment **Unresolved by the Federal Government – Current Status:** The institution scrutinizes the use of funds to ensure that outlays are made only for allowable activities. As noted in the original comment, the institution has already reversed the charge to the Cooperative Extension Service.

Department Morgan State University
Program Student Financial Aid Cluster
CFDA Number 84.268
Finding Number 2001-1 (MSU)
Comment **Unresolved by the Federal Government – Auditee Updated Response and Corrective Action Plan:** In the past, the University processed the main student status confirmation reports (SSCR) and the ERROR reports utilizing the University's computer legacy system. As a result, some of the students on the ERROR reports were not properly updated, due to a technical computer issue. However, since last July, the University returns all SSCR and ERROR reports using the National Student Loan Data System software. Additionally, the University's usual schedule for SSCR reports is every two months. Beginning with the March report, however, the University will initiate using ad-hoc reports so that the data can be reviewed more often, thereby, ensuring increased accuracy.

Update: Effective July 2001, the University is reporting to the National Student Loan Data System the change in a student's status in a timely and accurate manner. This process is done at least once per month.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2001 (continued)

Department Morgan State University
Program Student Financial Aid Cluster
CFDA Number Various
Finding Number 2001-2 (MSU)
Comment **Unresolved by the Federal Government – Auditee Updated Response and Corrective Action Plan:** Due to a technical difficulty with the University's computer system, an adjustment to one of the students created an unexplained double crediting of Title IV aid, which was discovered during the audit. The computer staff is vigorously investigating this incident so as to prevent further repeats. The University has also implemented reconciliation processes and ad-hoc reporting to assist in early discovery of isolated situations.

Update: The information technology department has investigated the technical problem associated with one particular student. The problem has been identified and fixed. This is no longer a problem and financial aid is being returned on a timely basis.

Department St. Mary's College of Maryland
Program Federal Pell Grant Program
CFDA Number 84.063
Finding Number 2001-1 (SMCM)
Comment **Unresolved by the Federal Government - Corrective Action Plan:** The College has upgraded the 9600-baud modem to a 56k modem to transmit and receive the information from the Department of Education in a timely manner. The college has created a Pell Grant book for the upcoming year and will print out hard copy reports for Pell Grant Originations and Disbursements for each month. The plan is to submit Pell Grant Originations and Disbursements each month.

Update on Corrective Action Plan: We were able to upgrade to a 56k modem but a storm blew the modem. We were granted permission to install the Pell software on the network and have it backed up each night to prevent any further communication problems. The Pell Grant Originations and Disbursements are being sent up each month and the reports are being placed in the Pell Grant book we created in our office.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2000

Department Education
Program School Breakfast Program, National School Lunch Program, Special Milk Program for Children, and Summer Food Service Program for Children
CFDA Number 10.553, 10.555, 10.556, and 10.559
Finding Number 2000-1
Comment **Unresolved by the Federal Government – Corrective Action Plan:** MSDE has prepared the reconciliation for the aforementioned programs. The reconciliations along with the Schedule G have been submitted to GAD as recommended and stated in our previous corrective action plan.

Department Health and Mental Hygiene
(Medical Assistance Cluster)
Program State Medicaid Fraud Control Units, State Surveys and Certification of Health Care Providers, and Medical Assistance Program
CFDA Number 93.775, 93.777, and 93.778
Finding Number 2000-2
Comment **Unresolved by the Federal Government – Administration’s Response and Corrective Action Plan:**

Update: The Department reconciled the fiscal year 2002 Medicaid expenditures reported on the Schedule G to the expenditure reports submitted to the grantor agency. In addition, a copy of the reconciliation was provided to and discussed with the State’s fiscal year 2002 single auditor, Ernst & Young.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2000 (continued)

Department Human Resources
Program Child Support Enforcement Program
CFDA Number 93.563
Finding Number 2000-3
Comment **Unresolved by the Federal Government – Previous Response and Corrective Action:** The Department of Human Resources did not draw down funds in a manner that would accrue an interest liability to either party. Evaluation of the finding by DHR and the State Treasurer shows that the auditor is taking exception to the construct of the Treasury State Agreement (TSA) rather than the draw down practices of the Department of Human Resources. In this regard, the Department and the State Treasurer renegotiated the TSA to apply different draw down techniques to the questioned child support expenditures.

Current Status: The Department of Human Resources has made draws in accordance with the TSA and has incurred no interest liabilities.

This finding was not repeated in the 2001 or 2002 audits. Health and Human Services (HHS) asked for responses that DHR provided on October 4, 2001 and again on April 25, 2002. No further response or follow-up has been received from HHS. In our opinion, the finding should be considered closed.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2000 (continued)

<i>Department</i>	Human Resources
<i>Program</i>	Child Support Enforcement Program
<i>CFDA Number</i>	93.563
<i>Finding Number</i>	2000-4
<i>Comment</i>	<p>Unresolved by the Federal Government – Department Response and Corrective Action: From the initiation of the self-assessment process, the Child Support Enforcement Administration (CSEA) has followed the guidelines outlined by 42 USC 654.15, which refers us to the Federal Code of Regulations for evaluating cases processed by the local departments of child support. The instrument used for self-assessment was taken from the federal instruments given to the Child Support Enforcement Administration upon the initiation of the self-assessment process.</p> <p>Region III's federal representatives evaluated the Child Support Enforcement Administration's self-assessment review and found the Child Support Enforcement Administration's process to be in compliance. The annual self-assessment reports submitted to the federal government were accepted without reservation. Nevertheless, CSEA agreed to make the not applicable notations in subsequent reviews.</p> <p>Update: The most recent self-assessment was completed in March 2002 and the appropriate N/A notations were included.</p> <p>This finding was not repeated in the 2001 or 2002 audits. Health and Human Services (HHA) asked for a response that DHR provided on October 4, 2001. No response or follow-up has been received from HHS. In our opinion, the finding should be considered closed.</p>

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2000 (continued)

Department University System of Maryland (University of Maryland, Baltimore)
Program Research and Development Cluster
CFDA Number Various
Finding Number 2000-1 (USM)
Comment **Unresolved by the Federal Government** — There was an error in the coding of the Veterans' Administration account that caused the account to be designated as a service agreement where it should have been designated as a sponsored agreement. This oversight has been corrected and the effort reports for this contract are now being collected and should be completed by the end of October 2001. We will pursue settlement with the Veterans' Administration for the \$5,446.

Current Status – The institution is in the process of refunding the unallowable charges under the Veterans' Administration award. The refund should be processed during the Spring 2003.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2000 (continued)

<i>Department</i>	University System of Maryland (University of Maryland, Baltimore)
<i>Program</i>	Research and Development Cluster
<i>CFDA Number</i>	Various
<i>Finding Number</i>	2000-2 (USM)
<i>Comment</i>	<p>Unresolved by the Federal Government — The procedures that Cost Accounting has instituted have resulted in positive control of the time and effort reporting process. The procedures for recovering effort reports from the campus community are as follows:</p> <ul style="list-style-type: none">• One week before effort reports are due, we send out an e-mail across the business managers' list to serve to remind business managers of the due date.• One week after the effort reports are due, we send the departments a reminder of the due date.• Two weeks after effort reports are due, we send principal investigators and respective chairs a list of the effort reports due specifically from them.• Four weeks after effort reports are due, we send the Deans a list of principal investigators that have outstanding effort reports.

Of the 12,739 effort reports sent out during this federal reporting process, only 127 remain outstanding.

Current Status – The institution is continuing its efforts to collect the outstanding effort reports for the prior periods. On a going-forward basis, the numbers of delinquent reports have been reduced significantly through more aggressive follow-up procedures. The institution is planning on being up-to-date to the extent possible by the summer.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2000 (continued)

Department University System of Maryland (University of Maryland, Baltimore)
Program Research and Development Cluster
CFDA Number Various
Finding Number 2000-3 (USM)
Comment **Unresolved by the Federal Government** — UMB will ensure that procedures already in place are fully implemented and monitored. The existing subrecipient agreement database will be expanded to include all information referenced above.

Current Status – Subrecipient monitoring procedures have been fully implemented and the institution believes it is fully in compliance with the requirements.

Department University System of Maryland (University of Maryland, Baltimore)
Program Research and Development Cluster
CFDA Number Various
Finding Number 2000-4 (USM)
Comment **Unresolved by the Federal Government** — In fiscal year 2001, UMBC had an effective subrecipient monitoring system in place. The database created to track and follow-up subrecipient compliance issues and the system designed to communicate with subrecipient organizations are providing the required controls. We have found that the key to a successful program is coordinating initially with subrecipient organizations via telephone, internet, or e-mail to identify the correct point of contact for financial compliance issues.

Current Status – Subrecipient monitoring procedures have been fully implemented and the institution believes it is fully in compliance with the requirements. We should point out that recently the institution suffered a loss when a cleaning crew inadvertently discarded a box of subrecipient reports which had been collected to satisfy subrecipient monitoring requirements. The institution is in the process of assessing the status of processing of the reports discarded, and then following up with subrecipients for which the submissions had not been completely processed to obtain another copy. This process should be completed before June 30, 2002.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2000 (continued)

Department University System of Maryland (University of Maryland, College Park)
Program Research and Development Cluster
CFDA Number Various
Finding Number 2000-5 (USM)
Comment **Unresolved by the Federal Government** — The Office of Research Administration and Advancement (ORAA) has revised the certification section of the standard subaward documentation to incorporate the A-133 required certification. This approach provides ORAA with documentation of our subrecipient's compliance as a part of the executed subaward.

When a subrecipient notifies the University that they have a finding that is material to the project, ORAA sends the information to the Office of the Comptroller for evaluation and follow-up. The Office of the Comptroller contacts the subrecipient to acquire background information relative to the finding(s). The Office of the Comptroller discussed with ORAA and the prime sponsor of the appropriateness of proceeding with the subaward. The decision to award or not award the subagreement is made on a case-by-case basis and is documented in the project files.

Current Status – The institution has follow-up procedures in place to ensure that subrecipient monitoring requirements are satisfied and believes it is fully in compliance with these requirements.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2000 (continued)

Department Morgan State University
Program Financial Statement Finding
CFDA Number
Finding Number 2000-1 (MSU)
Comment **Unresolved by the Federal Government** – Procedures are in place for monthly reconciliations. Over the past year, the University has made significant improvements to its cash reconciliations. A) The University’s Comptroller’s Office performs a separate monthly reconciliation for cash, expenditures, and revenue between the University’s Financial Record System (FRS) and the State Financial Management Information System (FMIS). B) A monthly reconciliation is also performed for its bank accounts for the working fund and the student exchange fund. C) The University has also made significant improvements in the direct student loan program reconciliations between the Loan Origination Center and the Financial Aid Department/student account.

Auditee Updated Response and Corrective Action Plan: Cash reconciliation is no longer a problem. The University reconciles its cash on a monthly basis. This was demonstrated to the independent auditors two years in a row. As indicated in Section II of the fiscal year 2001 audit, no findings were reported.

Department Morgan State University
Program Financial Statement Finding
CFDA Number
Finding Number 2000-2 (MSU)
Comment **Unresolved by the Federal Government** – Over the past year, the University has made significant improvements to its closing process. A) Emphasis on monthly reconciliations of the various components within the Comptroller’s Office has brought about these improvements. B) The University’s financial statements were submitted to the State Comptroller’s Office at the end of October. They were reviewed, discussed, and incorporated in the State’s Comprehensive Annual Financial Report. C) The University plans to implement further improvements in the future.

Auditee Updated Response and Corrective Action Plan: Over the past years, the University has made significant improvements to its closing process. For fiscal years ending June 30, 2001 and 2002, the University financial statements were issued prior to December 31. As indicated in Section II of the fiscal year 2001 audit, no findings were reported.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2000 (continued)

Department Morgan State University
Program Student Financial Assistance Cluster
CFDA Number 84.268
Finding Number 2000-3 (MSU)
Comment **Unresolved by the Federal Government** – A) The Quality Control Supervisor is responsible for the Transfer of the Direct Loan Account Statement per the Department of Education Download Schedule. B) Said files will be transmitted to the Associate Director of Financial Aid, Loan Office Supervisor, and Office of Funded Projects. C) Said file will consist of a comparison format per school year (SY) of the Student Information System (SIS) and the Loan Origination Center (LOC) Systems. D) The Comparison Analysis and Reconciliation of the Booked and Un-booked Loans by the Loan Office Supervisor will be evaluated no later than: 10/30/01, 11/14/01, 12/6/01, 1/23/02, 2/15/02, 3/22/02, 4/25/02, 5/24/02 and 6/25/02. E) A review of all “opened” SY files will be evaluated by the Loan Office Supervisor and Associate Director. All exceptions and reject files will be addressed by written and/or oral transfer of document to LOC. F) There will be a monthly meeting between the Director/Associate of Financial Aid, Loan Office Supervisor, Bursar, Comptroller, Funded Projects, and Information System’s Supervisor to discuss Gross Disbursements, Rejected LOC loans, suggested draw-downs against disbursements, and/or Monthly Booked and Un-booked Loans.

Auditee Updated Response and Corrective Action Plan: The University has made significant improvements reconciling the Federal Direct Loan Program. The University has a reconciling process in place and this condition no longer exists.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2000 (continued)

Department Morgan State University
Program Student Financial Assistance Cluster
CFDA Number 84.268
Finding Number 2000-4 (MSU)
Comment **Unresolved by the Federal Government** – A) A manual correction process was instituted July 2001. B) Exceptions reports will be reviewed and evaluated by the Quality Control Supervisor. C) A submission schedule was set up to submit National Student Loan Data System Student Status Confirmation Reports reports to the Department of Education. D) Students not reported on report filing dates will be manually reported by the Loan Office Supervisor.

Auditee Updated Response and Corrective Action Plan: Effective July 2001, the University is reporting to the National Student Loan Data System the change in a student's status in a timely and accurate manner. This process is done at least once per month. This condition no longer exists.

Department Morgan State University
Program Student Financial Assistance Cluster
CFDA Number 84.063
Finding Number 2000-5 (MSU)
Comment **Unresolved by the Federal Government** – A) As of June 21, 2001, the implementation of Pell Payments has been corrected and accepted by the Department of Education. B) Pell payment for school year 2002 is being submitted according to the required time frame – every 30-calendar days by the Quality Control Supervisor.

Auditee Updated Response and Corrective Action Plan: The information technology department has investigated the technical problem associated with one particular student. The problem has been identified and fixed. All of our system problems have been corrected, thus our reporting requirements have been met and accepted by the Department of Education as of June 21, 2001. This is no longer a problem, and the financial aid is being returned on a timely basis.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

Single Audit Findings for Fiscal Year Ended June 30, 2000 (continued)

Department St. Mary's College of Maryland
Program Education and Human Resources
CFDA Number 47.076 and 84.342
Finding Number 2000-1 (SMCM)
Comment **Unresolved by the Federal Government – Corrective Action Plan:** The preparation of the Schedule of Expenditures of Federal Awards (SEFA) schedule has been transferred to a different position to allow for more time to be dedicated for the preparation and review of the schedule. This position will be receiving specialized training in this area to help understand the preparation of the SEFA schedule. The schedule will be prepared sooner to allow for a more complete review to be conducted in order to minimize human error.

Update on Corrective Action Plan: All of the items stated in the corrective action plan were implemented and there were no findings noted during the subsequent two fiscal year audits relating to this condition.

Department St. Mary's College of Maryland
Program Federal Perkins Loan Program
CFDA Number 84.038
Finding Number 2000-2 (SMCM)
Comment **Unresolved by the Federal Government – Corrective Action Plan:** The financial aid office has taken a more active role in providing students with an exit interview. We will review the financial aid records when a student leaves or graduates from our institution and conduct an exit interview when necessary. In addition, we are exploring an interactive, electronic method to conduct exit interviews.

Update on Corrective Action Plan: We explored the option of having students complete an exit interview electronically but learned from our students that they prefer the one-on-one counseling with the financial aid staff. They want to talk to us about their debt and ask questions about their repayment options. We are now putting hold flags on students' records until they complete an exit interview. If a student is unable to attend a one-on-one session, an exit interview is mailed to them and documented in the system.