

STATE OF MARYLAND

Single Audit Report

Year ended June 30, 2003 with Reports of Independent Auditors

State of Maryland  
Single Audit Report

Year ended June 30, 2003

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

The Honorable William Donald Schaefer  
 Comptroller of Maryland

We have audited the basic financial statements, not included herein, of the State of Maryland (the State) as of and for the year ended June 30, 2003. These basic financial statements are the responsibility of the State of Maryland’s management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

	<b>Percentage of Opinion Unit</b>	
	<b>Total Assets</b>	<b>Total Revenues or Additions</b>
<b>Business-Type Activities:</b>		
Economic Development – Loan Programs	54.13%	10.91%
Maryland State Lottery Agency	5.56	56.17
Maryland Transportation Authority	29.42	11.76
Economic Development – Insurance Programs	.08	.31
State Use Industries	.23	1.75
	<b>89.42%</b>	<b>80.90%</b>
<b>Major Funds:</b>		
Economic Development – Loan Programs	100.00%	100.00%
Maryland State Lottery Agency	100.00%	100.00%
Maryland Transportation Authority	100.00%	100.00%

	<b>Percentage of Opinion Unit</b>	
	<b>Total Assets</b>	<b>Total Revenues or Additions</b>
<b>Aggregate Discretely Presented Component Units:</b>		
Maryland Environmental Service	1.60%	2.19%
Maryland Industrial Development Financing Authority	.71	.05
Maryland Food Center Authority	.41	.10
	2.72%	2.34%
<b>Aggregate Remaining Fund Information:</b>		
Economic Development – Insurance Programs	.30%	.07%
State Use Industries	.08	.41
Maryland Local Government Investment Pool	4.35	41.64
State Retirement and Pension System of Maryland	85.86	15.47
Deferred Compensation Plan	4.22	(.09)
	94.81%	57.50%

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

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Economic Development – Loan Programs (except for the Maryland Water Quality Financing Administration), the Maryland State Lottery Agency, the Maryland Transportation Authority, the Economic Development – Insurance Programs, the Maryland Industrial Development Financing Authority, the Maryland Local Government Investment Pool, and the Deferred Compensation Plan were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

As described in Note 1, the State has implemented GASB Statement No. 41, *Budgetary Comparison Schedules – Perspective Differences, an Amendment of GASB Statement No. 34*, as of July 1, 2002.

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, 2003, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2004, on our consideration of the State's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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.



January 12, 2004

**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, 2003, and have issued our report thereon dated January 12, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our report on the basic financial statements included disclosures regarding our references to the reports of other auditors. The financial statements of the Economic Development – Loan Programs (except for the Maryland Water Quality Financing Administration), the Maryland State Lottery Agency, the Maryland Transportation Authority, the Economic Development – Insurance Programs, the Maryland Industrial Development Financing Authority, the Maryland Local Government Investment Pool, and the Deferred Compensation Plan 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**

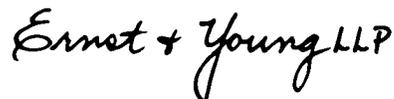
In planning and performing our audit, we considered the State's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the State of Maryland's ability to record, process, summarize and report financial data

consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as Finding 2003-1.

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 caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider the reportable condition described above in Finding 2003-1 to be a material weakness. We noted other matters involving the internal control over financial reporting, which we have reported to the management of the State of Maryland in a separate letter dated January 12, 2004.

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.



January 12, 2004

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

The Honorable William Donald Schaefer  
Comptroller of Maryland

### Compliance

We have audited the compliance of the State of Maryland (the State) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. 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.

As described in Finding 2003-4, in the accompanying schedule of findings and questioned costs, the State did not comply with requirements regarding activities allowed/unallowed that are applicable to its Adoption Assistance Program. Compliance with such requirements is necessary, in our opinion, for the State to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2003. 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 2003-2 to 2003-20.

### **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 2003-2 to 2002-20.

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, of the reportable conditions described above, we consider finding 2003-4 to be a material weakness.

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*

July 30, 2004

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

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

The Honorable William Donald Schaefer  
Comptroller of Maryland

### **Compliance**

We have audited the compliance of the State of Maryland (the State) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to certain of its major federal programs for the year ended June 30, 2003. 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, 2003.

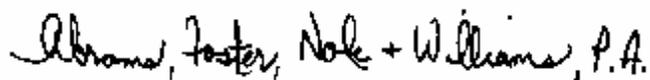
## Internal Control Over Compliance

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. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2003-21.

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 the reportable condition described above is not a material weakness.

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

July 30, 2004

# State of Maryland

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

	Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
02	<u>Agency for International Development (AID)</u>					
	Agency for International Development	02.RD	\$ 426,843	\$ -	\$ -	\$ 426,843
	Pass-Through EURASIA Foundation	02.RD	(466)			(466)
	Pass-Through Supreme Council of Universities, Foreign Relations	02.RD	(73)			(73)
	Pass-Through University of Rawanda	02.RD	31,446			31,446
	Pass-Through United Negro College Fund	02.TELP-UMES			135,808	135,808
	Pass-Through University Research Corporation International	02. Unknown	1,692,649			1,692,649
	Pass-Through University Research Corporation International	02. Unknown			244,359	244,359
	Total Pass-Through Agency for International Development		1,723,556	-	380,167	2,103,723
	Total Agency for International Development		2,150,399	-	380,167	2,530,566
10	<u>Department of Agriculture (DOA)</u>					
	Contracts / Other:					
	Pass-Through Rutgers University	10.97-38411-4250			913	913
	Agricultural Research: Basic and Applied Research	10.001			141,771	141,771
	Plant and Animal Disease, Pest Control and Animal Care	10.025			426,650	426,650
	Commodity Loans and Loan Deficiency Payments	10.051			321,181	321,181
	Federal-State Marketing Improvement Program	10.156			34,490	34,490
	Market Protection and Promotion	10.163			96,625	96,625
	Grants for Agricultural Research, Special Research Grants	10.200			21,865	21,865
	Pass-Through University Vermont	10.200			46,160	46,160
	Total Grants for Agricultural Research, Special Research Grants	10.200	-	-	68,025	68,025
	Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205			847,250	847,250
	Grants for Agricultural Research: Competitive Research Grants	10.206			256,325	256,325
	Food and Agricultural Sciences National Needs Graduate Fellowship Grants	10.210			10	10
	1890 Institution Capacity Building Grants	10.216			710,014	710,014
	Higher Education Challenge Grants:					
	Pass-Through Grants - University of Missouri	10.217			14,724	14,724
	Initiative for Future Agriculture and Food Systems	10.302			358,674	358,674
	Integrated Programs	10.303			129,893	129,893
	Crop Insurance	10.450			238,609	238,609
	Egg Products Inspection	10.476			1,341	1,341
	Cooperative Extension Service	10.500			3,506,060	3,506,060
	Pass-Through University of Delaware	10.500			4,067	4,067
	Total Cooperative Extension Service	10.500	-	-	3,510,127	3,510,127
	Food Donation	10.550	-	-	12,544,000	12,544,000

# State of Maryland

## Schedule of Expenditures of Federal Awards (continued)

Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
10 Department of Agriculture (DOA) (continued)					
Food Stamp Cluster:					
Food Stamps	10.551	\$ -	\$ -	\$ 241,351,728	\$ 241,351,728
State Administrative Matching Grants for Food Stamp Program	10.561			37,395,833	37,395,833
Total Food Stamp Cluster		-	-	278,747,561	278,747,561
Child Nutrition Cluster:					
School Breakfast Program	10.553			21,325,350	21,325,350
National School Lunch Program (NSLP)	10.555			80,674,783	80,674,783
Special Milk Program for Children	10.556			519,223	519,223
Summer Food Service Program for Children	10.559			4,129,847	4,129,847
Total Child Nutrition Cluster		-	-	106,649,203	106,649,203
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557			53,562,819	53,562,819
Child and Adult Care Food Program	10.558			31,952,091	31,952,091
State Administrative Expenses for Child Nutrition	10.560			1,801,724	1,801,724
Nutrition Education and Training Program	10.564			82,400	82,400
Emergency Food Assistance Cluster:					
Emergency Food Assistance Program (Administrative Costs)	10.568			767,450	767,450
Emergency Food Assistance Program (Food Commodities)	10.569			4,663,233	4,663,233
Total Emergency Food Assistance Cluster		-	-	5,430,683	5,430,683
Nutrition Services Incentive	10.570			1,759,193	1,759,193
WIC Farmers' Market Nutrition Program (FMNP)	10.572			305,679	305,679
Agricultural Mediation Program	10.645			38,749	38,749
Cooperative Forestry Assistance	10.664			2,141,452	2,141,452
National Agricultural Library	10.700			37,106	37,106
Rural Business Enterprise Grants	10.769			3,430	3,430
Watershed, Surveys and Planning	10.906	5,736			5,736
Farmland Protection Program	10.913			184,952	184,952
Agricultural Statistics Reports	10.950			14,956	14,956
Technical Agricultural Assistance	10.960			4,728	4,728
Agricultural Research Service	10.RD	3,038,147			3,038,147
Pass-Through Cornell University	10.RD	13,357			13,357
Pass-Through Dartmouth College	10.RD	14,348			14,348
Pass-Through Pennsylvania State University	10.RD	3,757			3,757
Total Pass-Through Agricultural Research Service	10.RD	31,462	-	-	31,462
Total Agricultural Research Service	10.RD	3,069,609	-	-	3,069,609
Animal and Plant Health Inspection Service	10.RD	(718)			(718)
Pass-Through Tuskegee University	10.RD	14,139			14,139
Total Animal and Plant Health Inspection Service		13,421	-	-	13,421

# State of Maryland

## Schedule of Expenditures of Federal Awards (continued)

	Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
10	<u>Department of Agriculture (DOA) (continued)</u>					
	Cooperative State Research, Education, and Extension Service (CSREES)					
		10.RD	\$ 11,345,528	\$ -	\$ -	\$ 11,345,528
		10.RD	48,318			48,318
		10.RD	17,456			17,456
		10.RD	63,564			63,564
		10.RD	40,208			40,208
		10.RD	67,775			67,775
		10.RD	30,215			30,215
		10.RD	141,825			141,825
		10.RD	20,432			20,432
		10.RD	19,527			19,527
	Total Pass-Through CSREES		449,320	-	-	449,320
	Total CSREES		11,794,848	-	-	11,794,848
	Economic Research Service					
		10.RD	149,674			149,674
	Foreign Agricultural Service					
		10.RD	1,568,141			1,568,141
	Forest Service					
		10.RD	268,877			268,877
	National Resources Conservation Service					
		10.RD	154,526			154,526
	Rural Business-Cooperative Service:					
		10.RD	50,463			50,463
	Total DOA		17,075,295	-	502,417,348	519,492,643
11	<u>Department of Commerce (DOC)</u>					
	Special American Business Internship Training Program					
		11.114			13,005	13,005
	Economic Development: Technical Assistance					
		11.303			78,699	78,699
	Economic Adjustment Assistance					
		11.307			6,000,970	6,000,970
	Interjurisdictional Fisheries Act of 1986					
		11.407			37,876	37,876
	Coastal Zone Management Administration Awards					
		11.419			1,595,891	1,595,891
	Coastal Zone Management Estuarine Research Reserves					
		11.420			726,896	726,896
		11.420			6,104	6,104
	Total Coastal Zone Management Estuarine Research Reserves		-	-	733,000	733,000
	Financial Assistance for National Centers for Coastal					
		11.426			461,151	461,151
	Ocean Science					
		11.439			9,730	9,730
	Marine Mammal Data Program					
		11.457			108,547	108,547
	Chesapeake Bay Studies					
		11.470			27,596	27,596
	Office of Administration Special Programs					
		11.474			80,221	80,221
	Atlantic Coastal Fisheries Cooperative Management Act					
		11.481			2,760,925	2,760,925
	Educational Partnership Program					
		11.609			434,329	434,329
	Measurement and Engineering Research and Standards					
		11.609	4,000			4,000
	Total Measurement and Engineering Research and Standards		4,000	-	434,329	438,329
	Minority Business Development Centers					
		11.800			387,198	387,198
	Bureau of the Census					
		11.RD	129,977			129,977
	National Institute for Standards and Technology					
		11.RD	5,588,661			5,588,661

# State of Maryland

## Schedule of Expenditures of Federal Awards (continued)

	Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
11	<u>Department of Commerce (DOC) (continued)</u>					
	National Oceanic and Atmospheric Administration	11.RD	\$ 9,452,985	\$ -	\$ -	\$ 9,452,985
	Pass-Through Research Foundation of State University of New York	11.RD	120,840			120,840
	Pass-Through University of New Hampshire	11.RD	16,327			16,327
	Total Pass-Through National Oceanic and Atmospheric Administration		137,167	-	-	137,167
	Total National Oceanic and Atmospheric Administration		9,590,152	-	-	9,590,152
	Total DOC		15,312,790	-	12,729,138	28,041,928
12	<u>Department of Defense (DOD)</u>					
	Contract / Other	12.Unknown			207,853	207,853
	Contract / Other	12.DCA 100-00D-4008			1,927,613	1,927,613
	Contract / Other	12.AE3000-0073-0001			975	975
	Contract / Other	12.MDA904-02-C-0004			29,708	29,708
	Contract / Other	12.MDA904-02-C-0424			170,795	170,795
	Procurement Technical Assistance for Business Firms	12.002			208,463	208,463
	Planning Assistance to States	12.110			6,634	6,634
	State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113			694,706	694,706
	Basic and Applied Scientific Research	12.300	15,774			15,774
	Basic and Applied Scientific Research	12.300			553,883	553,883
	Pass-Through WILLCOR	12.300			(16,586)	(16,586)
	Total Basic and Applied Scientific Research		15,774	-	537,297	553,071
	Military Construction, National Guard	12.400			9,822,469	9,822,469
	Military Medical Research and Development	12.420			155,319	155,319
	Basic Scientific Research	12.431			39,696	39,696
	Basic Scientific Research	12.431	632,454			632,454
	Pass-Through Academy of Applied Science	12.431			859	859
	Total Basic Scientific Research		632,454	-	40,555	673,009
	National Security Education: Fellowships					
	Pass-Through North Carolina A&T University	12.552			26,627	26,627
	Basic, Applied, and Advanced Research in Science and Engineering	12.630			148,634	148,634
	Motor Week Energy	12.678			146,700	146,700
	Air Force Defense Research Sciences Program	12.800	27,675			27,675
	Mathematical Sciences Grant Program	12.901			419,538	419,538
	Research and Technology Development:					
	Pass-Through Telecordia Technologies	12.910			52,500	52,500
	Department of the Army, Office of the Chief of Engineers	12.RD	277,657			277,657
	Pass-Through Harvard University	12.RD	129,530			129,530
	Pass-Through Jackson State University	12.RD	19,984			19,984
	Total Pass-Through Department of the Army, Office of Chief of Engineers		149,514	-	-	149,514
	Total Department of the Army, Office of the Chief of Engineers		427,171	-	-	427,171

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### Schedule of Expenditures of Federal Awards (continued)

	Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
12	<u>Department of Defense (DOD) (continued)</u>					
	U.S. Army, Material Command	12.RD	\$ 7,050,940	\$ -	\$ -	\$ 7,050,940
	Pass-Through Boston University	12.RD	411,586			411,586
	Total U.S. Army, Material Command		7,462,526	-	-	7,462,526
	Department of the Navy, Office of Chief of Naval Research					
	Research	12.RD	14,456,448			14,456,448
	Pass-Through California Institute of Technology	12.RD	20,001			20,001
	Pass-Through Computer Sensors Corp.	12.RD	20,894			20,894
	Pass-Through Johns Hopkins University	12.RD	350,398			350,398
	Pass-Through Production Technologies, Inc.	12.RD	52,184			52,184
	Total Pass-Through Department of the Navy, Office of Chief of Naval Research		443,477	-	-	443,477
	Total Department of the Navy, Office of Chief of Naval Research		14,899,925	-	-	14,899,925
	Department of the Air Force, Material Command	12.RD	4,461,368			4,461,368
	National Security Agency	12.RD	16,534,306			16,534,306
	Pass-Through George Mason University	12.RD	378,319			378,319
	Total National Security Agency		16,912,625	-	-	16,912,625
	Defense Advanced Research Projects Agency	12.RD	2,063,399			2,063,399
	Pass-Through BBNT Solutions LLC	12.RD	65,486			65,486
	Pass-Through Brown University	12.RD	48,767			48,767
	Pass-Through Dartmouth College	12.RD	96,291			96,291
	Pass-Through ITT Systems	12.RD	25,764			25,764
	Pass-Through Object Video Corp.	12.RD	108,498			108,498
	Pass-Through Superconductor Technologies, Inc.	12.RD	1,155			1,155
	Total Pass-Through Defense Advanced Research Projects Agency		345,961	-	-	345,961
	Total Defense Advanced Research Projects Agency		2,409,360	-	-	2,409,360
	Office of the Secretary of Defense	12.RD	120,635			120,635
	Pass-Through Georgia Institute of Technology	12.RD	59,222			59,222
	Total Office of the Secretary of Defense	12.RD	179,857	-	-	179,857
	Total DOD		47,428,735	-	14,596,386	62,025,121
13	<u>Central Intelligence Agency (CIA)</u>					
	Central Intelligence Agency:					
	Pass-Through Mitre Corporation	13.RD	183,736			183,736
	Total CIA		183,736	-	-	183,736
14	<u>Department of Housing &amp; Urban Development (HUD)</u>					
	Housing Counseling Assistance Program	14.169			24,063	24,063
	Section 8 Project-Based Cluster:					
	Section 8 New Construction and Substantial Rehabilitation	14.182			120,748,276	120,748,276
	Lower Income Housing Assistance Program: Section 8 Moderate Rehabilitation	14.856			609,166	609,166
	Total Section 8 Project-Based Cluster		-	-	121,357,442	121,357,442

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### Schedule of Expenditures of Federal Awards (continued)

	Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
14	<u>Department of Housing &amp; Urban Development (HUD)</u> (continued)					
	Community Development Block Grants/Small Cities Program	14.219	\$ -	\$ -	\$ 7,649,057	\$ 7,649,057
	Community Development Block Grants/State's Program	14.228			4,740,783	4,740,783
	Supportive Housing Program	14.235			182,211	182,211
	Historically Black Colleges and Universities Programs	14.237			486,012	486,012
	Shelter Plus Care	14.238			1,150,036	1,150,036
	HOME Investment Partnerships Program	14.239			5,272,925	5,272,925
	Housing Opportunities for Persons with AIDS	14.241			415,142	415,142
	Community Development Block Grants/Economic Development Initiative	14.246	109,296			109,296
	Rural Housing and Economic Development	14.250			75,000	75,000
	Fair Housing Assistance Program: State and Local	14.401			339,803	339,803
	Community Outreach Partnership Center	14.511			20,960	20,960
	Section 8 Housing Choice Vouchers	14.871			10,591,375	10,591,375
	Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900			463,005	463,005
	Office of Fair Housing and Equal Opportunity	14.RD	440,901			440,901
	Office of Healthy Homes & Lead Hazard Control	14.RD	(1,804)			(1,804)
	Other Research and Development	14.RD	43,901			43,901
	Total HUD		592,294	-	152,767,814	153,360,108
15	<u>Department of the Interior (DOI)</u>					
	Contract / Other	15.1443CA309701200			29,587	29,587
	Bureau of Land Management	15.200			11,000	11,000
	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	15.250			564,579	564,579
	Abandoned Mine Land Reclamation (AMLR) Program	15.252			3,067,003	3,067,003
	Fish and Wildlife Cluster:					
	Sport Fish Restoration	15.605			2,372,648	2,372,648
	Wildlife Restoration	15.611			2,039,538	2,039,538
	Pass-Through Pennsylvania Game Commission	15.611			60,597	60,597
	Total Fish and Wildlife Cluster		-	-	4,472,783	4,472,783
	Endangered Species Conservation	15.612			14,219	14,219
	Clean Vessel Act	15.616			527,624	527,624
	Wildlife Conservation Appreciation	15.617			216	216
	Wildlife Conservation and Restoration	15.625			130,973	130,973
	State Wildlife Grants	15.634			17,857	17,857
	Assistance to State Water Resources Research Institutes	15.805			39,039	39,039
	U.S. Geological Survey: Research and Data Acquisition	15.808			188,277	188,277
	National Spatial Data Infrastructure Cooperative Agreements Program	15.809			20,000	20,000
	Historic Preservation Fund Grants-in-Aid	15.904			676,717	676,717
	National Historic Landmark	15.912			29,036	29,036
	Outdoor Recreation: Acquisition, Development and Planning	15.916			787,126	787,126
	American Battlefield Protection	15.926			3,506	3,506

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### Schedule of Expenditures of Federal Awards (continued)

	Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
15	<u>Department of the Interior (DOI) (continued)</u>					
	National Park Service	15.RD	\$ 483,000	\$ -	\$ -	\$ 483,000
	Pass-Through University of Rhode Island	15.RD	1,127			1,127
	Total National Park Service		484,127	-	-	484,127
	U.S. Fish and Wildlife Service	15.RD	13,782			13,782
	Pass-Through Southern Louisiana University	15.RD	28,468			28,468
	Total U.S. Fish and Wildlife Service	15.RD	42,250	-	-	42,250
	Geological Survey	15.RD	421,206			421,206
	Other Department of Interior – Research and Development	15.RD	84,618			84,618
	Total DOI		1,032,201	-	10,579,542	11,611,743
16	<u>Department of Justice (DOJ)</u>					
	Contract / Other	16.Unknown			1,304,667	1,304,667
	State Domestic Preparedness Equipment Support Program	16.007			3,352,192	3,352,192
	Offender Reentry Program	16.202			1,538	1,538
	Juvenile Accountability Incentive Block Grants	16.523			5,547,264	5,547,264
	Reduce Violent Crimes Against Women on Campus	16.525			131,950	131,950
	Juvenile Justice and Delinquency Prevention: Allocation to States	16.540			1,879,380	1,879,380
	Juvenile Justice and Delinquency Prevention: Special Emphasis	16.541			325,022	325,022
	National Institute for Juvenile Justice and Delinquency Prevention	16.542			6,482	6,482
	Missing Children’s Assistance	16.543			201,846	201,846
	Title V: Delinquency Prevention Program	16.548			758,239	758,239
	Part E: State Challenge Activities	16.549			190,956	190,956
	State Justice Statistics Program for Statistical Analysis Centers	16.550			478,359	478,359
	National Criminal History Improvement Program (NCHIP)	16.554			1,134,103	1,134,103
	National Institute of Justice Research, Evaluation, and Development Project Grants	16.560			3,233,965	3,233,965
	Public Safety Officers’ Benefits Program	16.571			401,806	401,806
	Crime Victim Assistance	16.575			6,917,539	6,917,539
	Crime Victim Compensation	16.576			1,581,000	1,581,000
	Byrne Formula Grant Program	16.579			13,011,937	13,011,937
	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580			2,775,848	2,775,848
	Violent Offender Incarceration and Truth in Sentencing Incentive Grants	16.586			13,432,409	13,432,409
	Violence Against Women Formula Grants	16.588			2,917,676	2,917,676
	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590			629,129	629,129
	Managing Released Sex Offenders	16.591			64,199	64,199
	Local Law Enforcement Block Grants Program	16.592			1,284,228	1,284,228
	Residential Substance Abuse Treatment for State Prisoners	16.593			793,455	793,455
	State Criminal Alien Assistance Program	16.606			1,641,909	1,641,909
	Bulletproof Vest Partnership Program	16.607			3,001	3,001

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## Schedule of Expenditures of Federal Awards (continued)

	Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
16	<u>Department of Justice (DOJ)</u>					
	Public Safety Partnership and Community Policing Grants	16.710	\$ -	\$ -	\$ 61,440	\$ 61,440
	Police Corps	16.712			2,171,769	2,171,769
	Enforcing Underage Drinking Laws Program	16.727			638,350	638,350
	Office of Juvenile Justice and Delinquency Prevention	16.RD	8,607,183			8,607,183
	Pass-Through University of Colorado	16.RD	4,536			4,536
	Pass-Through University of Pennsylvania	16.RD	24,835			24,835
	Total Pass-Through Office of Juvenile Justice and Delinquency Prevention		29,371	-	-	29,371
	Total Office of Juvenile Justice and Delinquency Prevention		8,636,554	-	-	8,636,554
	Office of Justice Programs	16.RD	368,115			368,115
	Pass-Through American Statistical Association	16.RD	13,659			13,659
	Pass-Through Howard University	16.RD	5,667			5,667
	Pass-Through University of Southern Maine	16.RD	4,306			4,306
	Total Pass-Through Office of Justice Programs		23,632	-	-	23,632
	Total Office of Justice Programs		391,747	-	-	391,747
	National Institute of Justice	16.RD	255,459			255,459
	Office of Community Oriented Policing Services	16.RD	(29,614)			(29,614)
	Total DOJ		9,254,146	-	66,871,658	76,125,804
17	<u>Department of Labor (DOL)</u>					
	Labor Force Statistics	17.002			1,348,331	1,348,331
	Compensation and Working Conditions	17.005			190,965	190,965
	Labor Certification for Alien Workers	17.203			1,438,076	1,438,076
	Employment Service Cluster:					
	Employment Service	17.207			14,591,486	14,591,486
	Disabled Veterans' Outreach Program (DVOP)	17.801			1,775,672	1,775,672
	Local Veterans' Employment Representative Program	17.804			1,289,881	1,289,881
	Total Employment Service Cluster		-	-	17,657,039	17,657,039
	Unemployment Insurance	17.225			716,733,978	716,733,978
	Senior Community Service Employment Program	17.235			1,563,997	1,563,997
	Trade Adjustment Assistance: Workers	17.245			232,498	232,498
	Demonstration and Research	17.249			2,501,216	2,501,216
	Job Training Partnership Act (JTPA)	17.250			3,655,556	3,655,556
	Welfare-to-Work Grants to States and Localities	17.253			3,158,249	3,158,249
	Workforce Investment Act	17.255			3,870,674	3,870,674
	WIA Cluster:					
	WIA Adult Program	17.258			12,496,070	12,496,070
	WIA Youth Activities	17.259			13,636,099	13,636,099
	WIA Dislocated Workers	17.260			19,658,813	19,658,813
	Total WIA Cluster		-	-	45,790,982	45,790,982

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## Schedule of Expenditures of Federal Awards (continued)

	Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
17	<u>Department of Labor (DOL) (continued)</u>					
	Employment and Training Administration Pilots, Demonstrations, and Research Projects	17.261	\$ -	\$ -	\$ 1,035,347	\$ 1,035,347
	Occupational Safety and Health: State Program Consultation Agreements	17.503 17.504			3,126,631 698,370	3,126,631 698,370
	Employment and Training Administration	17.RD	408,077			408,077
	Total DOL		408,077	-	803,001,909	803,409,986
19	<u>Department of State (DOS)</u>					
	Program for the Study of Eastern Europe and the Independent States of the Former Soviet Union	19.300			39,090	39,090
	Educational Partnerships Program	19.405			7,518	7,518
	Educational Exchange: NIS Secondary School Initiative Pass-Through Open Society Institute	19.411 19.411			311,325 17,657	311,325 17,657
	Total Educational Exchange: NIS Secondary School Initiative		-	-	328,982	328,982
	Bureau of Educational and Cultural Affairs	19.RD	134,911			134,911
	Bureau of Intelligence and Research	19.RD	110,792			110,792
	Total DOS		245,703	-	375,590	621,293
20	<u>Department of Transportation (DOT)</u>					
	Contract / Other	20.Unknown			1,283,787	1,283,787
	Boating Safety Financial Assistance	20.005			1,829,833	1,829,833
	Airport Improvement Program	20.106			14,834,194	14,834,194
	Airway Science	20.107			1,187	1,187
	Highway Planning and Construction Cluster:					
	Highway Planning and Construction	20.205			487,392,413	487,392,413
	Appalachian Development Highway System	23.003			190,128	190,128
	Total Highway Planning and Construction Cluster		-	-	487,582,541	487,582,541
	Highway Training and Education					
	Pass-Through South Carolina State University	20.215 20.215			8,352 53,366	8,352 53,366
	Total Highway Training and Education		-	-	61,718	61,718
	National Motor Carrier Safety					
	Pass-Through Edwards & Kelsey, Inc.	20.218 20.218			17,907,839 14,527	17,907,839 14,527
	Total National Motor Carrier Safety		-	-	17,922,366	17,922,366
	High Speed Ground Transportation: Next Generation High Speed Rail Program					
		20.312			3,016,187	3,016,187
	Federal Transit Cluster:					
	Federal Transit: Capital Investment Grants	20.500			62,721,941	62,721,941
	Federal Transit: Formula Grants	20.507			106,222,560	106,222,560
	Total Federal Transit Cluster		-	-	168,944,501	168,944,501

## State of Maryland

### Schedule of Expenditures of Federal Awards (continued)

	Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
20	<u>Department of Transportation (DOT)</u> (continued)					
	Federal Transit: Managerial Training Grants	20.503	\$	-	\$	641
	Federal Transit: Metropolitan Planning Grants	20.505			8,145,191	8,145,191
	Formula Grants for Other Than Urbanized Areas	20.509			2,892,241	2,892,241
	Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513			1,220,555	1,220,555
	Job Access: Reverse Commute	20.516			4,656,692	4,656,692
	State and Community Highway Safety	20.600			129,300	129,300
	Pipeline Safety	20.700			259,166	259,166
	University Transportation Centers Program	20.701	190,389			190,389
	Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703			146,705	146,705
	Development and Promotion of Ports and Intermodal Transportation	20.801			320,944	320,944
	Federal Aviation Administration	20.RD	2,201,102			2,201,102
	Pass-Through University of California at Berkley	20.RD	10,386			10,386
	Total Federal Aviation Administration		2,211,488	-	-	2,211,488
	Federal Highway Administration	20.RD	82,880			82,880
	Pass-Through National Cooperative Highway Research Program	20.RD	433,443			433,443
	Total Pass-Through Federal Highway Administration		433,443	-	-	433,443
	Total Federal Highway Administration		516,323	-	-	516,323
	Federal Motor Carrier Safety Administration	20.RD	60,440			60,440
	Pass-Through North Carolina University at Chapel Hill	20.RD	66,576			66,576
	Pass-Through Professional Services Inc.	20.RD	58,240			58,240
	Total Pass-Through Federal Motor Carrier Safety Administration		124,816	-	-	124,816
	Total Federal Motor Carrier Safety Administration		185,256	-	-	185,256
	Federal Transit Administration – Pass-Through National Cooperative Highway Research Program	20.RD	(112)			(112)
	Research and Special Programs Administration – Pass- Through Montana State University	20.RD	2,306			2,306
	Total DOT		3,105,650	-	713,247,749	716,353,399
21	<u>Department of Treasury (DOTR)</u>					
	Joint Tax Rebate Relief Act	21.000			90,054,067	90,054,067
	Internal Revenue Service	21.RD	31,465			31,465
	Pass-Through Maryland Volunteer Lawyers Service Inc.	21.RD	23,959			23,959
	Total Internal Revenue Service		55,424			55,424
	Total DOTR		55,424	-	90,054,067	90,109,491
22	<u>Postal Service: Contract / Other</u>	22.3631990-02-P-0028	-	-	5,342	5,342

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### Schedule of Expenditures of Federal Awards (continued)

	Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
23	<u>Appalachian Regional Council (ARC)</u>					
	Appalachian Local Access Roads	23.008	\$ -	\$ -	\$ 244,497	\$ 244,497
	Appalachian State Research, Technical Assistance and Demonstration Projects	23.011			49,707	49,707
	Total ARC		-	-	294,204	294,204
30	<u>Equal Employment Opportunity Commission (EEOC)</u>					
	Employment Discrimination: State and Local Fair Employment Practices Agency Contracts	30.002			718,484	718,484
	Total EEOC		-	-	718,484	718,484
39	<u>General Services Administration (GSA)</u>					
	Business Services	39.001			161,952	161,952
	Donation of Federal Surplus Personal Property	39.003			620,353	620,353
	Total GSA		-	-	782,305	782,305
43	<u>National Aeronautics and Space Administration (NASA)</u>					
	Contract / Other	43.NAG5-11846			12,730	12,730
	Aerospace Education Services Program	43.001			1,054,396	1,054,396
	Aerospace Education Services Program	43.001	2,208,133			2,208,133
	Pass-Through Belton Space Exploration	43.001			11,521	11,521
	Pass-Through Diversified Career and Educational Services Program	43.001			28,744	28,744
	Pass-Through Cuyahoga Community College	43.001	167,231			167,231
	Pass-Through Maryland Space Grant Consortium	43.001			1,926	1,926
	Total Pass-Through Aerospace Education Services Program		167,231	-	42,191	209,422
	Total Aerospace Education Services Program		2,375,364	-	1,109,317	3,484,681
	NASA	43.RD	54,377,396			54,377,396
	Pass-Through Boston University	43.RD	805			805
	Pass-Through California Institute of Technology	43.RD	611,223			611,223
	Pass-Through Carnegie Institute of Washington	43.RD	35,429			35,429
	Pass-Through Carnegie Mellon University	43.RD	414,851			414,851
	Pass-Through Georgia Institute of Technology	43.RD	132,938			132,938
	Pass-Through Harvard University	43.RD	1,301			1,301
	Pass-Through Jet Propulsion Lab	43.RD	622,850			622,850
	Pass-Through Johns Hopkins University/Applied Physics Lab	43.RD	157,468			157,468
	Pass-Through L&M Technologies	43.RD	(67,262)			(67,262)
	Pass-Through Lawrence Livermore National Laboratory	43.RD	20,409			20,409
	Pass-Through Maryland Soybean Board	43.RD	42,860			42,860
	Pass-Through National Institute of Aerospace	43.RD	3,179			3,179
	Pass-Through Organic Farming Research Foundation	43.RD	3,894			3,894
	Pass-Through Raytheon Systems	43.RD	481,557			481,557
	Pass-Through Research Foundation of State University of New York	43.RD	4,074			4,074
	Pass-Through Rutgers University	43.RD	36,839			36,839
	Pass-Through Simpson Weather Associates	43.RD	36,426			36,426
	Pass-Through Smithsonian Institute	43.NAS8-39073	4,894			4,894

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### Schedule of Expenditures of Federal Awards (continued)

	Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
43	<u>National Aeronautics and Space Administration (NASA)</u> (continued)					
	NASA (continued)					
	Pass-Through Smithsonian Institute	43.RD	\$ 8,403	\$ -	\$ -	\$ 8,403
	Pass-Through Southwest Research Institute	43.RD	100,876			100,876
	Pass-Through Southwest Science Inc.	43.RD	26,800			26,800
	Pass-Through Space Telescope Science Institute	43.RD	289,079			289,079
	Pass-Through Space Telescope Science Institute	43.NAS5-26555	50,672			50,672
	Pass-Through Universities Space Research Association	43.2094-03	7,903			7,903
	Pass-Through Universities Space Research Association	43.NCC5-315	54,242			54,242
	Pass-Through University of Arizona at Tucson	43.RD	24,988			24,988
	Pass-Through University of California	43.RD	23,756			23,756
	Pass-Through University of California at Berkley – Space Science Lab	43.RD	149,425			149,425
	Pass-Through University of Texas-Austin	43.RD	60,405			60,405
	Pass-Through University Research Corporation International	43.RD	200,351			200,351
	Pass-Through University of Wisconsin	43.RD	27,988			27,988
	Pass-Through West Virginia University	43.RD	39,298			39,298
	Pass-Through Yale University	43.RD	109,566			109,566
	Total Pass-Through NASA		3,717,487	-	-	3,717,487
	Total NASA		58,094,883	-	-	58,094,883
	Total NASA		60,470,247	-	1,109,317	61,579,564
45	<u>National Foundation on the Arts and Humanities (NFAH)</u>					
	Promotion of the Arts: Grants to Organizations and Individuals					
	Promotion of the Arts: Partnership Agreements	45.024			50,001	50,001
	Promotion of the Arts: Leadership Initiatives	45.025			552,719	552,719
	Promotion of the Arts: Challenge Grants	45.026			32,000	32,000
	Promotion of the Humanities: Division of Preservation and Access	45.130			5,583	5,583
	Promotion of the Humanities: Education Development and Demonstration	45.149			65,151	65,151
	Promotion of the Humanities: Seminars and Institutes	45.162			26,572	26,572
	Promotion of the Humanities: Extending the Reach Grants to Presidentially-Designated Minority Institutions	45.163			120,211	120,211
	Institute of Museum and Library Services	45.167			900	900
	Museum Assessment Program	45.301			61,668	61,668
	State Library Program	45.302			799	799
	Institute of Museum and Library Services: National Leadership Grants	45.310			3,046,956	3,046,956
	National Endowment for the Humanities	45.312			125,848	125,848
	Total NFAH	45.RD	197,259	-	4,088,408	4,285,667

# State of Maryland

## Schedule of Expenditures of Federal Awards (continued)

	Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
47	National Science Foundation (NSF)					
	Engineering Grants	47.041	\$ 818,443	\$ -	\$ -	\$ 818,443
	Engineering Grants	47.041			209,506	209,506
	Pass-Through Howard University	47.041	24,115			24,115
	Pass-Through Johns Hopkins University	47.041	33,599			33,599
	Pass-Through Virginia Polytechnic Institute and State University	47.041			33,537	33,537
	Total Pass-Through Engineering Grants	47.041	57,714	-	33,537	91,251
	Total Engineering Grants		876,157	-	243,043	1,119,200
	Mathematical and Physical Sciences	47.049	41,202			41,202
	Mathematical and Physical Sciences	47.049			244,022	244,022
	Pass-Through University of Delaware	47.049			31,153	31,153
	Total Mathematical and Physical Sciences		41,202	-	275,175	316,377
	Geosciences	47.050	31,966			31,966
	Geosciences	47.050			98,671	98,671
	Total Geosciences		31,966	-	98,671	130,637
	Computer and Information Science and Engineering	47.070			42,604	42,604
	Biological Sciences	47.074	48,768			48,768
	Biological Sciences	47.074			823,006	823,006
	Pass-Through George Washington University	47.074			160,991	160,991
	Pass-Through Institute of Ecosystem Studies	47.074			12,685	12,685
	Total Pass-Through Biological Sciences	47.074	-	-	173,676	173,676
	Total Biological Sciences	47.074	48,768	-	996,682	1,045,450
	Social, Behavioral, and Economic Sciences	47.075			103,297	103,297
	Pass-Through Academy of Applied Sciences	47.075			7,670	7,670
	Total Social, Behavioral, and Economic Sciences		-	-	110,967	110,967
	Education and Human Resources	47.076			4,840,850	4,840,850
	Pass-Through Association of American Colleges & Universities (AAC&U)	47.076			1,285	1,285
	Pass-Through Community College of Baltimore County	47.076			21,305	21,305
	Total Pass-Through Education and Human Resources		-	-	22,590	22,590
	Total Education and Human Resources		-	-	4,863,440	4,863,440
	National Science Foundation (NSF)	47.RD	45,461,859			45,461,859
	Pass-Through Carnegie Mellon University	47.RD	63,432			63,432
	Pass-Through Cornell University	47.RD	37,605			37,605
	Pass-Through Dartmouth College	47.RD	91,119			91,119
	Pass-Through Georgia Institute of Technology/Tech	47.RD	22,805			22,805
	Pass-Through Johns Hopkins University	47.RD	168,136			168,136
	Pass-Through Howard University	47.RD	(56)			(56)
	Pass-Through Institute of Ecosystem Studies	47.RD	50,000			50,000
	Pass-Through Kansas State University	47.RD	58,405			58,405
	Pass-Through Louisiana State University	47.RD	51,425			51,425
	Pass-Through Medical University of South Carolina	47.RD	66,270			66,270
	Pass-Through Michigan State University	47.RD	113,598			113,598
	Pass-Through New Jersey Institute of Technology	47.RD	55,003			55,003

## State of Maryland

### Schedule of Expenditures of Federal Awards (continued)

	Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
47	<u>National Science Foundation (NSF)</u> (continued)					
	Pass-Through North Carolina A&T State University	47.RD	\$ 26,356	\$ -	\$ -	\$ 26,356
	Pass-Through Pennsylvania State University	47.RD	19,313			19,313
	Pass-Through Purdue University	47.RD	108,126			108,126
	Pass-Through Rutgers University	47.RD	46,255			46,255
	Pass-Through Shoah Foundation	47.RD	298,239			298,239
	Pass-Through Stanford University	47.RD	(336)			(336)
	Pass-Through Stony Brook University	47.RD	7,614			7,614
	Pass-Through Texas A&M Sub Grant	47.RD	10,020			10,020
	Pass-Through University of Arizona	47.RD	38,518			38,518
	Pass-Through University of California, Los Angeles	47.RD	27,752			27,752
	Pass-Through University of California, San Diego	47.RD	399,455			399,455
	Pass-Through University of California, Santa Barbara	47.RD	10			10
	Pass-Through University of Delaware	47.RD	42,790			42,790
	Pass-Through University of Massachusetts	47.RD	(487)			(487)
	Pass-Through University of Nebraska	47.RD	9,640			9,640
	Pass-Through University of Virginia	47.RD	17,553			17,553
	Pass-Through University of Western Michigan	47.RD	38,551			38,551
	Pass-Through University of Wisconsin	47.RD	105,943			105,943
	Pass-Through Woods Hole Oceanographic	47.RD	11,479			11,479
	Total Pass-Through NSF	47.RD	1,984,533	-	-	1,984,533
	Total NSF	47.RD	47,446,392	-	-	47,446,392
	Total NSF		48,444,485	-	6,630,582	55,075,067
59	<u>Small Business Administration (SBA)</u>					
	Small Business Development Center	59.037			1,981,219	1,981,219
	Total SBA		-	-	1,981,219	1,981,219
64	<u>Veterans Administration (VA)</u>					
	Grants to States for Construction of State Home Facilities	64.005			3,916,913	3,916,913
	Burial Expenses Allowance for Veterans	64.101			578,631	578,631
	Veterans Housing: Manufactured Home Loans	64.119			199,882	199,882
	Vocational and Educational Counseling for Servicemembers and Veterans	64.125			270,607	270,607
	Veterans Benefits Administration – Research and Development	64.RD	6,496,379			6,496,379
	Total VA		6,496,379	-	4,966,033	11,462,412
66	<u>Environmental Protection Agency (EPA)</u>					
	Contract / Other	66.Unknown			53,716	53,716
	Air Pollution Control Program Support	66.001			3,398,317	3,398,317
	Surveys, Studies Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034			30,000	30,000
	Water Pollution Control: State and Interstate Program Support	66.419			2,757,976	2,757,976
	State Public Water System Supervision	66.432			1,334,583	1,334,583
	State Underground Water Source Protection	66.433			98,870	98,870
	Construction Management Assistance	66.438			228,517	228,517

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## Schedule of Expenditures of Federal Awards (continued)

Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
66 <u>Environmental Protection Agency (EPA)</u> (continued)					
Water Quality Management Planning	66.454	\$	-	\$	\$ 343,469
Nonpoint Source Implementation Grants	66.460			3,352,764	3,352,764
Wetlands Program Grants	66.461			492,618	492,618
Water Quality Cooperative Agreements	66.463			308,594	308,594
Chesapeake Bay Program	66.466			5,602,072	5,602,072
Beach Monitoring and Notification Program Implementation Grants	66.472			46,937	46,937
Water Protection Coordination Grants to States	66.474			60	60
Environmental Protection Consolidated Research	66.500			108,384	108,384
Water Pollution Control: Research, Development, and Demonstration	66.505			12,068	12,068
Environmental Protection Consolidated Grants: Program Support	66.600			16,100	16,100
Environmental Justice Grants to Small Community Groups	66.604			533	533
Surveys, Studies, Investigations and Special Purpose Grants	66.606			799,165	799,165
Surveys, Studies, Investigations and Special Purpose Grants	66.606		80,692		80,692
Total Surveys, Studies, Investigations and Special Purpose Grants			80,692	-	799,165
					879,857
Training and Fellowships for the Environmental Protection Agency	66.607			114,026	114,026
Children's Health Protection	66.609			39,011	39,011
Consolidated Pesticide Enforcement Cooperative Agreements	66.700			380,204	380,204
Toxic Substances Compliance Monitoring Cooperative Agreement	66.701			110,887	110,887
TSCA Title IV State Lead Grants: Certification of Lead- Based Paint Professionals	66.707			439,601	439,601
Pollution Prevention Grants Program	66.708			128,118	128,118
Capacity Building Grants and Co-operative Agreements for States and Tribes	66.709			61,913	61,913
Hazardous Waste Management State Program Support Superfund State, Political Subdivision, and Indian Tribe Site: Specific Cooperative Agreements	66.801			1,684,787	1,684,787
State and Tribal Underground Storage Tanks Program	66.802			1,450,040	1,450,040
Leaking Underground Storage Tank: Trust Fund	66.804			158,484	158,484
Superfund State and Indian Tribe Core Program: Cooperative Agreements	66.805			1,430,228	1,430,228
Cooperative Agreements	66.809			553,194	553,194
Brownfield Pilots Cooperative Agreements	66.811			5,205	5,205
Environmental Education and Training Program	66.950			2,574	2,574
Environmental Education Grants	66.951			273,965	273,965
Environmental Protection Agency	66.RD		77,826		77,826
Pass-Through University of Missouri-Columbia	66.RD		16,441		16,441
Pass-Through Pennsylvania State University	66.RD		261,759		261,759
Total Pass-Through Environmental Protection Agency			278,200	-	278,200
Total Environmental Protection Agency			356,026	-	356,026

## State of Maryland

### Schedule of Expenditures of Federal Awards (continued)

Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
66 <u>Environmental Protection Agency (EPA)</u> (continued)					
Office of Air and Radiation	66.RD	\$ 999,791	\$ -	\$ -	\$ 999,791
Pass-Through University of Louisville	66.RD	14,501			14,501
Pass-Through University of West Florida	66.RD	69,648			69,648
Total Pass-Through Environmental Protection Agency		84,149	-	-	84,149
Total Environmental Protection Agency		1,083,940	-	-	1,083,940
Office of Administration	66.RD	185,882	-	-	185,882
Office of Environmental Education: Pass-Through University of Central Florida	66.RD	60,943			60,943
Office of Research and Development	66.RD	3,400,924			3,400,924
Office of Water	66.RD	279,053			279,053
Total EPA		5,447,460	-	25,816,980	31,264,440
77 <u>National Regulatory Commission (NRC)</u>					
Other National Regulatory Commission – Research and Development	77.RD	236,227			236,227
Pass-Through Purdue University	77.RD	16,991			16,991
Total National Regulatory Commission		253,218	-	-	253,218
Total NRC		253,218	-	-	253,218
81 <u>Department of Energy (DOE)</u>					
National Energy Information Center	81.039			10,000	10,000
State Energy Program	81.041			1,910,430	1,910,430
Weatherization Assistance for Low-Income Persons	81.042			2,831,954	2,831,954
Office of Science Financial Assistance Program	81.049			8,000	8,000
University Coal Research	81.057	179,494			179,494
Pass-Through from Iowa State University	81.057			(2,410)	(2,410)
Total University Coal Research		179,494	-	(2,410)	177,084
Regional Biomass Energy Programs	81.079			4,906	4,906
Conservation Research and Development	81.086			13,560	13,560
Renewable Energy Research and Development	81.087			294	294
University Nuclear Science and Reactor Support	81.114			58,212	58,212
Office of Science	81.RD	356,364			356,364
Other Department of Energy – Research and Development	81.RD	9,890,181			9,890,181
Pass-Through Battelle Corporation	81.RD	(37)			(37)
Pass-Through Calabazas Creek Research, Inc.	81.RD	8,768			8,768
Pass-Through Fermilab	81.RD	536,892			536,892
Pass-Through Institute for Genomic Research	81.RD	97,825			97,825
Pass-Through Lawrence Livermore National Laboratory	81.RD	60,169			60,169
Pass-Through Rutgers University	81.RD	12,830			12,830
Total Pass-Through Other Department of Energy – Research and Development		716,447	-	-	716,447
Total Other Department of Energy – Research and Development		10,606,628	-	-	10,606,628
Total DOE		11,142,486	-	4,834,946	15,977,432

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## Schedule of Expenditures of Federal Awards (continued)

	Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
82	<u>United States Information Agency</u> Pass-Through Institute of International Education	82.Unknown	\$	-	\$	\$ 63,450
83	<u>Federal Emergency Management Agency (FEMA)</u> National Fire Academy Educational Program	83.010			1,401	1,401
	Community Assistance Program: State Support Services Element (CAP-SSSE)	83.105			105,820	105,820
	Emergency Management – State and Local Assistance	83.534			17,407	17,407
	Flood Mitigation Assistance	83.536			379,775	379,775
	Crisis Counseling	83.539			419,115	419,115
	Individual and Family Grants	83.543			138,345	138,345
	Public Assistance Grants	83.544			12,070,225	12,070,225
	First Responder Counter-Terrorism Training Assistance	83.547			30,840	30,840
	Hazard Mitigation Grant	83.548			1,112,102	1,112,102
	Chemical Stockpile Emergency Preparedness Program	83.549			1,115,292	1,115,292
	Emergency Management Performance Grants	83.552			2,339,002	2,339,002
	Pre-Disaster Mitigation	83.557			39,765	39,765
	State and Local All Hazards Emergency Operations Planning	83.562			164,457	164,457
	Citizen Corps	83.564			54,043	54,043
	FEMA – Research and Development	83.RD	45,474			45,474
	Total FEMA		45,474	-	17,987,589	18,033,063
84	<u>Department of Education (DED)</u> DED Contract / Other: Pass-Through Lower Shore Private Council	84.LS-038-02			3,268	3,268
	Adult Education: State Grant Program	84.002			9,434,277	9,434,277
	Education of Handicapped Children in State Operated or Supported Schools	84.009			24,291	24,291
	Title I Grants to Local Educational Agencies	84.010			140,317,522	140,317,522
	Migrant Education: State Grant Program	84.011			793,314	793,314
	Title I Program for Neglected and Delinquent Children	84.013			1,906,517	1,906,517
	Deaf-Blind Centers	84.025			28,001	28,001
	Special Education Cluster: Special Education: Grants to States	84.027			127,518,101	127,518,101
	Special Education: Preschool Grants	84.173			8,129,278	8,129,278
	Total Special Education Cluster		-	-	135,647,379	135,647,379
	Federal Supplemental Educational Opportunity Grants	84.007		7,195,082		7,195,082
	Federal Family Educational Loans	84.032		184,315,819		184,315,819
	Federal Work-Study Program	84.033		5,524,559		5,524,559
	Loan Cancellations	84.037			26,668	26,668
	Federal Perkins Loan Program: Federal Capital Contributions	84.038		72,078,001		72,078,001
	Federal Pell Grant Program	84.063		68,493,363		68,493,363
	Federal Direct Student Loans	84.268		197,447,695		197,447,695

# State of Maryland

## Schedule of Expenditures of Federal Awards (continued)

Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
84 Department of Education (DED) (continued)					
TRIO Cluster:					
TRIO: Student Support Services	84.042	\$ -	\$ -	\$ 4,573,493	\$ 4,573,493
TRIO: Talent Search	84.044			618,507	618,507
TRIO: Upward Bound	84.047			3,465,000	3,465,000
TRIO: Educational Opportunity Centers	84.066			231,682	231,682
TRIO: McNair Post – Baccalaureate Achievement	84.217			1,099,856	1,099,856
Total TRIO Cluster		-	-	9,988,538	9,988,538
Higher Education: Institutional Aid	84.031			11,135,771	11,135,771
Vocational Education: Basic Grants to States	84.048			15,067,514	15,067,514
Leveraging Educational Assistance Partnership	84.069			550,520	550,520
Fund for the Improvement of Postsecondary Education	84.116			284,530	284,530
Minority Science and Engineering Improvement	84.120			278,208	278,208
Rehabilitation Services: Vocational Rehabilitation Grants to States	84.126			39,116,977	39,116,977
Rehabilitation Long-Term Training	84.129			262,585	262,585
National Institute on Disability and Rehabilitation Research	84.133			39,165	39,165
Federal, State, and Local Partnership for Educational Improvement	84.151			115,093	115,093
Business and International Education Projects	84.153			5,671	5,671
Library Services and Construction Act: Construction	84.154			1,106	1,106
Secondary Education and Transitional Services for Youth with Disabilities	84.158			14,384	14,384
Rehabilitation Services: Client Assistance Program	84.161			180,666	180,666
Immigrant Education	84.162			125,532	125,532
Eisenhower Mathematics and Science Education: State Grants	84.164			(101,188)	(101,188)
Independent Living: State Grants	84.169			560,081	560,081
Rehabilitation Services: Independent Living Services for Older Individuals Who Are Blind	84.177			244,016	244,016
Special Education: Grants for Infants and Families with Disabilities	84.181			6,625,249	6,625,249
Safe and Drug-Free Schools and Communities: National Programs	84.184			269,285	269,285
Byrd Honors Scholarships	84.185			603,348	603,348
Safe and Drug-Free Schools and Communities: State Grants	84.186			7,565,494	7,565,494
Supported Employment Services for Individuals with Severe Disabilities	84.187			508,461	508,461
Bilingual Education: Professional Development	84.195			916,722	916,722
Education for Homeless Children and Youth	84.196			534,194	534,194
Graduate Assistance in Areas of National Need	84.200			323,535	323,535
Star Schools	84.203			1,921,612	1,921,612
Javits Gifted and Talented Students Education Grant Program	84.206			53,087	53,087
Even Start: State Educational Agencies	84.213			1,903,209	1,903,209
Fund for the Improvement of Education	84.215			643,429	643,429
Assistive Technology	84.224			349,129	349,129
Rehabilitation Services Demonstration and Training: Special Demonstration Programs	84.235			233,424	233,424
Tech-Prep Education	84.243			1,584,139	1,584,139

# State of Maryland

## Schedule of Expenditures of Federal Awards (continued)

Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
84 Department of Education (DED) (continued)					
Literacy Programs for Prisoners	84.255	\$	-	\$	-
Rehabilitation Training: Continuing Education	84.264			21	21
Rehabilitation Training: State Vocational Rehabilitation Unit In-Service Training	84.265			490,678	490,678
Goals 2000: State and Local Education Systemic Improvement Grants	84.276			103,790	103,790
Eisenhower Professional Development State Grants Ready to Teach	84.281			3,438,928	3,438,928
Institute for International Public Policy: Pass-Through United Negro College Fund	84.286			3,301,435	3,301,435
Innovative Education Program Strategies	84.298			583,986	583,986
Regional Technology in Education Consortia: Pass- Through Temple University	84.302			62,493	62,493
Even Start: Statewide Family Literacy Program	84.314			7,992,902	7,992,902
Technology Literacy Challenge Fund Grants	84.318			44,930	44,930
Special Education: State Program Improvement Grants for Children with Disabilities	84.323			233,511	233,511
Special Education: Research and Innovation to Improve Services and Results for Children with Disabilities	84.324			6,194,753	6,194,753
Special Education: Personnel Preparation to Improve Services and Results for Children with Disabilities	84.325			1,044,560	1,044,560
Special Education: Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326			138,151	138,151
Advanced Placement Program	84.330			982,176	982,176
Grants to States for Incarcerated Youth Offenders	84.331			154,240	154,240
Comprehensive School Reform Demonstration	84.332			1,007,859	1,007,859
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334			342,275	342,275
Child Care Access Means Parents in School	84.335			4,003,215	4,003,215
Teacher Quality Enhancement Grants	84.336			4,011,441	4,011,441
Pass-Through Columbia University	84.336			2,831	2,831
Total Teacher Quality Enhancement Grants		-	-	2,032,305	2,032,305
Reading Excellence	84.338			18,784	18,784
Learn Anytime Anywhere Partnerships	84.339			2,051,089	2,051,089
Class Size Reduction	84.340			2,476,922	2,476,922
Community Technology Centers	84.341			623,910	623,910
Preparing Tomorrow's Teachers to Use Technology	84.342			6,524,844	6,524,844
Underground Railroad Educational and Cultural Program	84.345			832,607	832,607
Occupation and Employment Information State Grants	84.346			1,173,194	1,173,194
Title I Accountability Grants	84.348			146,919	146,919
Transition to Teaching	84.350			96,159	96,159
School Renovation Grants	84.352			955,958	955,958
Rural Education Achievement Program	84.358			193,991	193,991
English Language Acquisition Grants	84.365			1,512,925	1,512,925
Improving Teacher Quality State Grants	84.367			1,512,925	1,512,925
Grants for State Assessments and Related Activities	84.369			164,371	164,371
				3,523,601	3,523,601
				26,356,914	26,356,914
				1,880,763	1,880,763

## State of Maryland

### Schedule of Expenditures of Federal Awards (continued)

	Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
84	<u>Department of Education (DED) (continued)</u>					
	Educational Research and Improvement	84.RD	\$ 722,852	\$ -	\$ -	\$ 722,852
	Pass-Through City University of New York	84.RD	432			432
	Total Educational Research and Improvement		723,284	-	-	723,284
	Institute of Education Sciences	84.RD	654,788			654,788
	Postsecondary Education	84.RD	909,483			909,483
	Special Education and Rehabilitative Services	84.RD	2,125,004			2,125,004
	Pass-Through Vanderbilt University	84.RD	150,959			150,959
	Total Special Education and Rehabilitative Services		2,275,963	-	-	2,275,963
	Total DED		4,563,518	535,054,519	472,733,065	1,012,351,102
89	<u>National Archives and Records Administration</u>					
	National Archives and Records Administration – Research and Development	89.RD	141,974			141,974
	Total National Archives and Records Administration		141,974	-	-	141,974
92	<u>National Council on Disability</u>					
	Adult Elevated Blood Lead Levels & Sur. Prog	92.283			16,526	16,526
	Total National Council on Disability		-	-	16,526	16,526
93	<u>Department of Health &amp; Human Services (HHS)</u>					
	Contract / Other	93.Unknown			7,680,521	7,680,521
	Public Health and Social Services Emergency Fund	93.003			2,399,730	2,399,730
	Special Programs for the Aging: Title VII, Chapter 3: Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041			99,599	99,599
	Special Programs for the Aging: Title VII, Chapter 2: Long Term Care Ombudsman Services for Older Individuals	93.042			319,708	319,708
	Special Programs for the Aging: Title III, Part D: Disease Prevention and Health Promotion Services	93.043			446,784	446,784
	Aging Cluster:					
	Special Programs for the Aging: Title III, Part B: Grants for Supportive Services and Senior Centers	93.044			8,498,085	8,498,085
	Special Programs for the Aging: Title III, Part C: Nutrition Services	93.045			10,802,797	10,802,797
	Total Aging Cluster		-	-	19,300,882	19,300,882
	Special Programs for the Aging: Title IV and Title II: Discretionary Projects	93.048			292,709	292,709
	National Family Caregiver Support Program	93.052			2,751,701	2,751,701
	Nutrition Services Incentive Program	93.053			1,173,877	1,173,877
	Food and Drug Administration: Research	93.103			132,559	132,559
	Bilingual/Bicultural Service Demonstration Grants: Pass-Through Minority Health Professional Foundation Health	93.105	18,894			18,894
	Minority International Research Training Grant in the Biomedical and Behavioral Sciences: Pass-Through American Psychological Association	93.106			45,241	45,241

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## Schedule of Expenditures of Federal Awards (continued)

Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
93 Department of Health & Human Services (HHS) (continued)					
Maternal and Child Health Federal Consolidated Programs	93.110	\$ -	\$ -	\$ 239,380	\$ 239,380
Biological Response to Environmental Health Hazards	93.113			189,426	189,426
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116			1,418,028	1,418,028
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118			210,514	210,514
Small Business Innovation Research	93.126			572,524	572,524
Emergency Medical Services for Children	93.127			116,050	116,050
Primary Care Services: Resource Coordination and Development	93.130			264,561	264,561
Injury Prevention and Control Research and State and Community Based Programs	93.136			371,424	371,424
Community Programs to Improve Minority Health Grant Programs	93.137			119,210	119,210
AIDS Education and Training Centers: Pass-Through Howard University	93.145			63,557	63,557
Pass-Through Howard University Hospital	93.145			92,940	92,940
Total AIDS Education and Training Centers		-	-	156,497	156,497
Projects for Assistance in Transition from Homelessness (PATH)	93.150			863,985	863,985
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153			1,138,579	1,138,579
Grants for State Loan Repayment	93.165			320,000	320,000
Research related to Deafness and Communication Disorders	93.173			234,834	234,834
Queenin N. Burdick Programs for Rural Interdisciplinary Training: Pass-Through Western Maryland Area Health Education Center	93.192			10,398	10,398
Childhood Lead Poisoning Prevention Projects: State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197			815,413	815,413
Family Planning: Services	93.217			4,152,441	4,152,441
National Research Service Awards: Health Services Research Training	93.225			11,413	11,413
Research on Healthcare Costs, Quality and Outcomes Consolidated Knowledge Development and Application (KD&A) Program	93.230	4,656,717		2,666,589	2,666,589
Loan Repayment Program for General Research	93.232			9,375	9,375
Abstinence Education	93.235			496,959	496,959
Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement	93.238			204,284	204,284
Policy Research and Evaluation Grants	93.239			98,964	98,964
State Rural Hospital Flexibility Program	93.241			186,784	186,784
Mental Health Research Grants	93.242			32,434	32,434
Substance Abuse and Mental Health Services: Projects of Regional and National Significance	93.243			136,180	136,180

# State of Maryland

## Schedule of Expenditures of Federal Awards (continued)

Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
93 Department of Health & Human Services (HHS) (continued)					
Universal Newborn Hearing Screening	93.251	\$ -	\$ -	\$ 122,269	\$ 122,269
State Planning Grant: Health Care Access for the Uninsured	93.256			314,554	314,554
Rural Access to Emergency Devices Grant	93.259			199,691	199,691
Immunization Grants	93.268			3,826,828	3,826,828
Mental Health National Research Service Awards for Research Training	93.282			138,841	138,841
Centers for Disease Control and Prevention: Investigations and Technical Assistance	93.283			18,774,776	18,774,776
Small Rural Hospital Improvement Grants	93.301			41,013	41,013
Clinical Research	93.333			60,525	60,525
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	93.342		11,392,335		11,392,335
Advanced Education Nursing Traineeships	93.358			536,706	536,706
Nursing Student Loans	93.364		2,042,335		2,042,335
Minority Biomedical Research Support: Pass-Through the City of Baltimore	93.375	857,873			857,873
Research Infrastructure	93.389			1,430,135	1,430,135
Cancer Research Manpower	93.398			20,527	20,527
Promoting Safe and Stable Families	93.556			7,272,792	7,272,792
Temporary Assistance for Needy Families	93.558			215,840,733	215,840,733
Child Support Enforcement	93.563			68,360,795	68,360,795
Refugee and Entrant Assistance: State Administered Programs	93.566			2,385,793	2,385,793
Low-Income Home Energy Assistance (LIHEAP)	93.568			38,732,216	38,732,216
Community Services Block Grant (CSBG)	93.569			10,906,832	10,906,832
Community Services Block Grant Discretionary Awards: Community Food and Nutrition	93.571			56,033	56,033
Child Care Cluster:					
Child Care and Development Block Grant (CCDF)	93.575			78,408,667	78,408,667
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596			48,219,928	48,219,928
Pass-Through Chesapeake Community College – Maryland	93.596			285,620	285,620
Total Child Care Cluster		-	-	126,914,215	126,914,215
Refugee and Entrant Assistance: Discretionary Grants	93.576			768,528	768,528
U.S. Repatriation	93.579			2,134	2,134
Empowerment Zones Program	93.585			10,318,000	10,318,000
State Court Improvement Program	93.586			185,788	185,788
Family Violence Prevention and Services/Grants for Battered Women's Shelters: Discretionary Grants: Pass-Through the Kennedy Institute	93.591	(853)			(853)
Welfare Reform Research, Evaluations and National Studies	93.595			(2,677)	(2,677)
Grants to States for Access and Visitation Programs	93.597			158,299	158,299
Head Start	93.600			3,727,568	3,727,568
Pass-Through the City of Baltimore	93.600			1,483,281	1,483,281
Total Head Start		-	-	5,210,849	5,210,849

## State of Maryland

### Schedule of Expenditures of Federal Awards (continued)

Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
93 Department of Health & Human Services (HHS) (continued)					
Child Support Enforcement Demonstrations and Special Projects	93.601	\$ -	\$ -	\$ (45)	\$ (45)
Adoption Incentive Payments	93.603			1,548,699	1,548,699
Runaway and Homeless Youth	93.623			71,237	71,237
Developmental Disabilities Basic Support and Advocacy Grants	93.630			1,107,345	1,107,345
Children's Justice Grants to States	93.643			20,888	20,888
Child Welfare Services: State Grants	93.645			5,873,424	5,873,424
Foster Care: Title IV-E	93.658			137,549,440	137,549,440
Adoption Assistance	93.659			26,928,005	26,928,005
Social Services Block Grant (SSBG)	93.667			54,815,850	54,815,850
Child Abuse and Neglect State Grants	93.669			234,444	234,444
Family Violence Prevention and Services / Grants for Battered Women's Shelters: Grants to States and Indian Tribes	93.671			1,391,687	1,391,687
Chafee Foster Care Independent Living (CFCIP)	93.674			5,049,145	5,049,145
State Children's Insurance Program (SCHIP)	93.767			123,647,728	123,647,728
Medicaid Infrastructure Grant to Support the Competitive Employment of People with Disabilities	93.768			8,568	8,568
Medicaid Cluster:					
State Medicaid Fraud Control Units	93.775			1,320,888	1,320,888
State Survey and Certification of Health Care Providers and Suppliers	93.777			4,028,803	4,028,803
Medical Assistance Program (Medicaid)	93.778			2,263,673,764	2,263,673,764
Pass-Through Actuarial Research Program	93.778			165,196	165,196
Total Medicaid Cluster		-	-	2,269,188,651	2,269,188,651
Centers for Medicare and Medicaid Services (CMS)					
Research, Demonstrations and Evaluations	93.779			1,426,877	1,426,877
Social Security: Disability Insurance	93.802			61,515	61,515
Health Careers Opportunity Program: Pass-Through Western Maryland Area Health Education Program	93.822			18,875	18,875
Lung Disease Research: Pass-Through John Hopkins University	93.838			2,683	2,683
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853			46,425	46,425
Microbiology and Infectious Diseases Research:	93.856			404,654	404,654
Pass-Through Johns Hopkins University	93.856	218,542			218,542
Pass-Through George Mason University	93.856			56,617	56,617
Total Pass-Through Microbiology and Infectious Diseases Research		218,542	-	56,617	275,159
Total Microbiology and Infectious Diseases Research		218,542	-	461,271	679,813
Genetics and Developmental Biology Research and Research Training	93.862			1,734	1,734
Center for Research for Mothers and Children	93.865	156,093		3,098	159,191
Aging Research	93.866			184,002	184,002
Minority Access to Research Careers	93.880			206,673	206,673
Grants to States for Operation of Offices of Rural Health	93.913			150,470	150,470
HIV Care Formula Grants	93.917			26,147,611	26,147,611

# State of Maryland

## Schedule of Expenditures of Federal Awards (continued)

Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
93 Department of Health & Human Services (HHS) (continued)					
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.919	\$ -	\$ -	\$ 3,009,911	\$ 3,009,911
HIV Prevention Activities: Health Department Based Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.925 93.940		190,523	12,457,703	190,523 12,457,703
Assistance Programs for Chronic Disease Prevention and Control	93.944			1,989,407	1,989,407
Improving EMS/Trauma Care in Rural Areas	93.945			110,861	110,861
Block Grants for Community Mental Health Services	93.952			48,018	48,018
Block Grants for Prevention and Treatment of Substance Abuse	93.958			4,771,490	4,771,490
Special Minority Initiatives	93.959			32,585,095	32,585,095
Preventive Health Services: Sexually Transmitted Diseases Control Grants	93.960			254,341	254,341
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.977			1,257,664	1,257,664
Preventive Health and Health Services Block Grant	93.988			262,770	262,770
Maternal and Child Health Services Block Grant to the States	93.991			3,181,627	3,181,627
Agency for Health Care Policy and Research	93.994			11,736,024	11,736,024
Agency for Health Care Research and Quality	93.RD	291,567			291,567
Center for Disease Control	93.RD	120,071,162			120,071,162
Pass-Through Albert Einstein Health Care Network	93.RD	1,597,184			1,597,184
Pass-Through Johns Hopkins University	93.RD	34,349			34,349
Total Pass-Through Center for Disease Control		4,395			4,395
Total Center for Disease Control		38,744	-	-	38,744
Food and Drug Administration		1,635,928	-	-	1,635,928
Pass-Through Texas A&M University	93.RD	3,074,133			3,074,133
Total Food and Drug Administration	93.RD	3,772			3,772
Health Resources and Services Administration:		3,077,905	-	-	3,077,905
Pass-Through Harbor Branch Oceanographic Institution	93.RD	2,168			2,168
Pass-Through Howard University	93.RD	84,798			84,798
Total Health Resources and Services Administration		86,966	-	-	86,966

# State of Maryland

## Schedule of Expenditures of Federal Awards (continued)

	Federal Department Program Title	CFDA Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
93	<u>Department of Health &amp; Human Services (HHS)</u> (continued)					
	National Institutes of Health	93.RD	\$ 39,057,561	\$ -	\$ -	\$ 39,057,561
	Pass-Through Boston University	93.RD	46,017			46,017
	Pass-Through Children's Research Institute	93.RD	78,888			78,888
	Pass-Through Cornell University	93.RD	114,089			114,089
	Pass-Through Johns Hopkins University	93.RD	106,403			106,403
	Pass-Through Kennedy Krieger Institute	93.RD	15,595			15,595
	Pass-Through New York University	93.RD	154,633			154,633
	Pass-Through Oregon Health Sciences	93.RD	15,850			15,850
	Pass-Through RAND Corp.	93.RD	24,556			24,556
	Pass-Through University of Cincinnati	93.RD	68,886			68,886
	Pass-Through University of Florida	93.RD	(5,746)			(5,746)
	Pass-Through University of North Carolina at Chapel Hill	93.RD	20,432			20,432
	Pass-Through University of Pennsylvania	93.RD	240,702			240,702
	Pass-Through University of Rhode Island	93.RD	19,581			19,581
	Pass-Through University of Rochester	93.RD	(120)			(120)
	Pass-Through University of Texas	93.RD	1,763			1,763
	Pass-Through University of Utah	93.RD	133,688			133,688
	Pass-Through Wake Forest University	93.RD	(1,454)			(1,454)
	Total Pass-Through National Institutes of Health		1,033,763	-	-	1,033,763
	Total National Institutes of Health		40,091,324	-	-	40,091,324
	Administration for Children and Families	93.RD	27,479			27,479
	Pass-Through University of Pittsburgh	93.RD	62,579			62,579
	Pass-Through Center for Adoption Support and Education Inc.	93.RD	50,957			50,957
	Total Pass-Through Administration for Children and Families		113,536	-	-	113,536
	Total Administration for Children and Families		141,015	-	-	141,015
	Office of the Secretary	93.RD	86,019			86,019
	Substance Abuse and Mental Health Services Administration	93.RD	150,357			150,357
	Total HHS		171,539,509	13,625,193	3,290,066,963	3,475,231,665
94	<u>Corporation for National and Community Service</u> (CNCS)					
	State Commissions	94.003			318,102	318,102
	Learn and Serve America: School and Community Based Programs	94.004			123,683	123,683
	Learn and Serve America: Higher Education	94.005			150,403	150,403
	AmeriCorps	94.006			7,262,607	7,262,607
	Planning and Program Development Grants	94.007			122,750	122,750
	Training and Technical Assistance	94.009			104,776	104,776
	Foster Grandparent Program	94.011			326,665	326,665
	Volunteers in Service to America (VISTA)	94.013			36,076	36,076
	Corporation for National and Community Service	94.RD	(25,029)			(25,029)
	Total CNCS		(25,029)	-	8,445,062	8,420,033

State of Maryland

Schedule of Expenditures of Federal Awards (continued)

	<b>Federal Department Program Title</b>	<b>CFDA Number</b>	<b>Research and Development Cluster</b>	<b>Student Financial Assistance Cluster</b>	<b>Other Expenditures</b>	<b>Total Expenditures</b>
96	<u>Social Security Administration (SSA)</u>					
	Contract/Other	96.Unknown	\$ -	\$ -	\$ (552,659)	\$ (552,659)
	Social Security: Disability Insurance	96.001			23,702,068	23,702,068
	Supplemental Security Income (SSI)	96.006			2,026,581	2,026,581
	Total Disability Insurance/SSI Cluster		-	-	25,728,649	25,728,649
	Social Security: Research and Demonstration	96.007			76,133	76,133
	Developmental Disabilities Project	96.631			58,733	58,733
	Total SSA		-	-	25,310,856	25,310,856
	Total federal expenditures		\$ 405,561,430	\$ 548,679,712	\$ 6,232,872,699	\$ 7,187,113,841

# State of Maryland

## Notes to the Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

### **1. Single Audit Reporting Entity**

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

### **2. Basis of Accounting**

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

The noncash expenditures of \$12,544,000 reported under CFDA No. 10.550, Food Donation, represent the value of food commodity distributions calculated using the U.S. Department of Agriculture, Food and Nutrition Service commodity price list in effect as of July 1, 2002. These food commodities were received by the Maryland Department of Education from the U.S. Department of Agriculture for the year ended June 30, 2003.

The noncash expenditures of \$4,663,233 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, 2002. 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, 2003.

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, 2003.

## State of Maryland

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

#### **2. Basis of Accounting (continued)**

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

#### **3. Categorization of Expenditures**

The Schedule of Expenditures of Federal Awards reflects federal expenditures for all individual grants, which were active during the year. The categorization of expenditures by program included in the Schedule of Expenditures of Federal Awards is based on the Catalog of Federal Domestic Assistance (CFDA). Changes in the categorization of expenditures occur based on revisions to the CFDA, which are issued in June and December of each year. In accordance with the State's policy, the Schedule of Expenditures of Federal Awards for the fiscal year ended June 30, 2003 reflects CFDA changes issued through December 2002.

#### **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, 2003 was \$323,990 for CFDA No. 10.550, Food Donation Program; and \$1,268 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, 2003.

Because the State has completely converted to electronic benefits transfer (EBT), there were no unissued food stamps on hand at June 30, 2003.

The value of donated federal surplus property on hand at June 30, 2003 was \$620,353 which represents the GSA's OAC of the property. When the related surplus property is transferred to recipients, it is valued at 25% of its OAC, which represents an estimated fair market value of the property transferred. The adjusted amount is reported as a noncash expenditure in the Schedule of Expenditures of Federal Awards under CFDA No. 39.003, Donation of Federal Surplus Personal Property Program.

## State of Maryland

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

#### 5. Other Audit Findings

Other audit reports exist which have also identified findings and questioned costs affecting the State's various federal programs during the year ended June 30, 2003. 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, 2003.

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

#### 6. Unemployment Insurance

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

State Regular UC benefits	\$ 546,946,482
Federal UC benefits	116,045,285
Federal UC administrative costs	53,742,210
Total benefits	<u>\$ 716,733,977</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: JTPA funds were used for transition to and implementation of the Workforce Investment Act (WIA). Expenditures of such funds include \$3,655,556 of JTPA funds. These expenditures are reflected in the Schedule of Expenditures of Federal Awards under CFDA No. 17.250, Workforce Investment Act.

## State of Maryland

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

#### 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 \$334,254 at June 30, 2002, and the loan expenditures of \$141,800 for the fiscal year ended June 30, 2003 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, 2003, 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, 2003 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, 2003 are reported in the Schedule of Expenditures of Federal Awards.

<u>CFDA Number</u>		<u>Loan Expenditures for Fiscal Year Ended June 30, 2003</u>
84.032	Stafford Loan Program	\$ 3,274,459
84.032	PLUS	3,684,192
		<u>\$ 6,958,651</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, 2002 were \$213,344 and \$16,011, respectively. There were no new loans made in the fiscal year ended June 30, 2003. The outstanding balances are considered current year federal expenditures. These amounts are reported in the Schedule of Expenditures of Federal Awards.

## State of Maryland

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

#### 9. Loan Programs (continued)

##### Morgan State University

The University administers the Federal Perkins Loan Program – Federal Capital Contributions (CFDA No. 84.038). The outstanding loan balance of \$2,840,255 at June 30, 2002, and the loan expenditures of \$477,159 for the fiscal year ended June 30, 2003 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, 2003, the University processed \$21,094,442 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, 2003 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, 2003 are reported in the Schedule of Expenditures of Federal Awards.

##### University System of Maryland

The System administers the following federal student financial assistance programs:

<u>CFDA Number</u>		<u>Outstanding Balance at June 30, 2002</u>	<u>Loan Expenditures for Fiscal Year Ended June 30, 2003</u>
84.038	Perkins Loan Program	\$ 56,054,824	\$ 11,968,474
93.364	Federal Nursing Loan – Undergraduate	1,474,266	417,361
93.364	Federal Nursing Loan – Graduate	136,365	–
93.342	Health Professional Loan – Dental	4,175,741	954,920
93.342	Health Professional Loan – Medical	1,322,661	–
93.342	Health Professional Loan – Pharmacy	984,168	104,730
93.342	Primary Care Loan	3,156,356	693,759
		<u>\$ 67,304,381</u>	<u>\$ 14,139,244</u>

The outstanding loan balances at June 30, 2002 and the loan expenditures for the fiscal year ended June 30, 2003 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, 2003, 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, 2003 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, 2003 are reported in the Schedule of Expenditures of Federal Awards.

<b>CFDA Number</b>		<b>Loan Expenditures for Fiscal Year Ended June 30, 2003</b>
84.032	Stafford Loan Program	\$ 153,670,662
84.032	PLUS	23,686,506
84.268	Subsidized Ford Federal Direct Student Loan	79,418,531
84.268	Unsubsidized Ford Federal Direct Student Loan	70,178,937
84.268	Ford Federal Direct Parent Loan	26,755,785
		\$ 353,710,421

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, 2002 of \$4,811,126 and new loans made in the fiscal year ended June 30, 2003 of \$605,300 are considered current year federal expenditures and are reported in the Schedule of Expenditures of Federal Awards.

State of Maryland

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

**Section I – Summary of Auditors’ Results**

**Financial Statement Section**

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

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

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

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

**Identification of Major Programs:**

<b>CFDA Numbers</b>	<b>Name of Federal Program or Cluster</b>	<b>Federal Expenditures</b>
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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	\$ 278,747,561
17.225	Unemployment Insurance Program	\$ 716,733,978

State of Maryland

Schedule of Findings and Questioned Costs (continued)

**Identification of Major Programs (continued):**

CFDA Numbers	Name of Federal Program or Cluster	Federal Expenditures
<b>Major programs audited by Ernst &amp; Young LLP:</b>		
10.553, 10.555, 10.556 and 10.559	Child Nutrition Cluster	\$ 106,649,203
21.000	Joint Tax Rebate Relief Act	90,054,067
84.367	Improving Teacher Quality State Grants	26,356,914
93.283	Centers for Disease Control Prevention: Investigations and Technical Assistance	18,774,776
93.563	Child Support Enforcement	68,360,795
93.659	Adoption Assistance	26,928,005
93.778, 93.775 and 93.777	Medicaid Cluster	2,269,188,651
Dollar threshold used to determine Type A programs		\$ 21,561,342
Auditee qualified as low-risk auditee?		_____ Yes <u>  X  </u> No

## State of Maryland

### Schedule of Findings and Questioned Costs (continued)

#### **Section II – Financial Statement Findings**

##### **Finding 2003-1**

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

###### *Condition:*

The State Treasurer’s Office did not effectively reconcile recorded cash balances to cash held in the bank during the fiscal year ended June 30, 2003. Differences noted, primarily related to receipts recorded versus deposits, were not adequately investigated so that appropriate adjustments could be made to the State’s accounting records. The State Treasurer’s Office spent considerable effort after year end to perform such reconciliations and substantially completed the process in January 2004.

###### *Criteria:*

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

###### *Cause:*

The current reconciliation format does not account for all cash activity. In addition, the State of Maryland had inadequate internal controls over the daily processing of banking transactions.

###### *Effect:*

The lack of timely and effective cash reconciliations during the fiscal year ended June 30, 2003 created a condition in which the State’s recorded cash balance and related revenues could have been misstated. It also caused the State to lose its low risk auditee status under OMB Circular A-133 and resulted in the auditors having to audit more federal programs to achieve the required percentage of coverage and spend significant additional time auditing cash.

## State of Maryland

### Schedule of Findings and Questioned Costs (continued)

#### **Section II – Financial Statement Findings (continued)**

##### **Finding 2003-1 (continued)**

###### ***Recommendation:***

We recommend that the State Treasurer's Office implement procedures to effectively reconcile cash balances held by the State Treasurer's Office to cash held in the bank on a monthly basis. Implementation of such procedures will facilitate the preparation of accurate, complete and timely financial statements.

###### ***Auditee Response and Corrective Action Plan:***

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

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

## State of Maryland

### Schedule of Findings and Questioned Costs (continued)

#### **Section II – Financial Statement Findings (continued)**

##### **Finding 2003-1 (continued)**

- We developed an analysis of the BAI file to break down components and prepare for conversion to TrinTech's automated reconciliation system.
- We have developed and now use a detailed spreadsheet to accurately track timing of bank adjustments charged back to agencies-timing issue important to accurate reconciliation.
- We have begun the re-examination of the unmatched book and bank deposit transactions in the June-August 2003 period in order to help identify the unreconciled balance. We will then resolve subsequent disparities.
- We have been working closely with State agencies, particularly the Comptroller's Office, to develop a reconciliation process that is accurate and reliable. The process requires close inter-agency coordination.

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

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

#### ***Auditor's Conclusion:***

Based on the above, the finding remains as stated.

## State of Maryland

### Schedule of Findings and Questioned Costs (continued)

#### **Section III – Federal Award Findings and Questioned Costs**

##### **Finding 2003-2**

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

##### **Internal control weakness over cash management process.**

##### ***Condition:***

Subrecipients request reimbursements for program expenditures monthly and upon payout, MSDE is required to drawdown federal funds in a timely manner. We reviewed 40 subrecipient requests amounting to \$20,716,739.16, which were submitted for reimbursement between January and June 2003. The subrecipients were reimbursed timely, however, MSDE did not draw down federal funds to cover these expenditures until June 25, 2003. The Accounting Department did not identify this as a federal program that had not been reimbursed for costs.

We also noted that MSDE does not have a supervisory review performed prior to requesting a drawdown of federal funds.

##### ***Criteria:***

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

OMB Circular A-133 Subpart C Section .300 (b) states, “The auditee shall maintain internal controls over Federal programs that 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:***

MSDE experienced staff turnover within the Accounting Division, which caused an untimely system implementation of this program’s drawing down of federal funds and cash management. Additionally, due to staffing limitations, MSDE did not have internal controls in place to provide supervisory reviews over drawdowns and cash management.

## State of Maryland

### Schedule of Findings and Questioned Costs (continued)

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

##### **Finding 2003-2 (continued)**

###### ***Effect:***

By not identifying new federal programs timely nor requesting reimbursements of federal funds timely, MSDE is creating undue burden on the State's cash position. MSDE does not have adequate internal controls over cash management, which includes, supervisory reviews.

###### ***Recommendation:***

We recommend that MSDE review existing internal controls to ensure that the identification of new federal programs is not overlooked in regards to drawing down federal funding. We recommend that MSDE establish internal control procedures to incorporate supervisory review and approval of cash drawdowns for program expenditures. Supporting documentation to substantiate this review should be maintained for audit purposes.

###### ***Auditee Response and Corrective Action Plan:***

MSDE concurs with this finding.

The Division of Business Services has implemented the following corrective action plan:

- Effective August 1, 2003, the Head of the General Accounts Section has run a report from the EGAPS system which reflects all executed Department of Education grants. This report will be obtained on a monthly basis and any new grants will be added to the query in R\*STARS which provides eligible drawdown amounts.
- Effective April 1, 2004, supervisory reviews are performed by the Accounting Branch Chief prior to requesting any drawdown of federal funds.

###### ***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 2003-3

###### State Treasurer's Office

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

CFDA No. 10.558 – Child and Adult Care Food Program

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

CFDA No. 17.225 – Unemployment Insurance

CFDA No. 20.500 – Federal Transit: Capital Investment Grants

CFDA No. 20.507 – Federal Transit: Formula Grants

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

CFDA No. 84.027 – Special Education: Grants to States

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

CFDA No. 93.558 – Temporary Assistance to Needy Families

CFDA No. 93.563 – Child Support Enforcement

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

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

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

CFDA No. 93.778 – Medical Assistance Program (Medicaid)

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

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

###### *Condition:*

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

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

## State of Maryland

### Schedule of Findings and Questioned Costs (continued)

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

##### **Finding 2003-3 (continued)**

The components that were used to develop the average clearance-vendor pattern include transit time, Comptroller of Maryland’s General Accounting Division (GAD) processing time and check clearance time. The component that was used to develop the average clearance-payroll pattern was the check clearance time. The documentation provided by the State Treasurer of Maryland did not support the development of any of the time components used in the development of the average clearance vendor and average clearance payroll check clearance patterns as noted in the CMIA Agreement.

##### ***Criteria:***

31 CFR 205.20 states in part:

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

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

##### ***Cause:***

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

##### ***Effect:***

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

##### ***Recommendation:***

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

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

**Finding 2003-3 (continued)**

***Auditee Response and Corrective Action Plan:***

The Office concurs with the recommendation. The Office has received approval to hire a Statewide CMIA Coordinator and has begun the recruitment process.

The CMIA Coordinator will implement a recertification schedule and procedures to assure that updated Check Clearance Patterns are established and reviewed in accordance with a method approved by Financial Management Service (FMS), U.S. Department of the Treasury, including auditable calculations and maintenance of all supporting documentation. We will revisit the methodology developed in 2002 to ensure that the processes used, including procedures covering vendor check patterns, are both in accordance with federal regulations and equitable to the State.

The Office will work with the appropriate State agencies to ensure that each agency develop a Check Clearance Pattern that is accurate and auditable as required by federal regulations.

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

***Auditor's Conclusion:***

Based on the above, the finding remains as stated.

## State of Maryland

### Schedule of Findings and Questioned Costs (continued)

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

##### Finding 2003-4

##### Department of Human Resources (DHR)

##### CFDA No. 93.659 – Adoption Assistance

##### CFDA No. 93.558 – Temporary Assistance for Needy Families

**The Department of Human Resources (DHR) had inadequate controls in place to prevent expenditures from being transferred to another federal program due to incorrect interpretation of federal laws and budgetary shortfalls.**

##### *Condition:*

During fiscal year ended June 30, 2002 the Adoption Assistance program had been incurring expenditures. This program is funded 50% by federal funds and 50% by state funds. These expenditures were being reported to the Department of Health and Human Services Administration for Children and Families (HHS ACF) on the quarterly Title IV-E Foster Care and Adoption Assistance Financial Report. The total amount of expenditures initially reported for the Adoption Assistance program was \$12,549,648 (\$12,481,264 of subsidy payments and \$68,384 of administration costs) for the fiscal year ended June 30, 2002. At fiscal year ended June 30, 2002, DHR charged \$12,481,264 of these expenditures to another federally funded program, Temporary Assistance for Needy Families (TANF), which is 100% federally funded. This adjustment was reported in the State of Maryland's (the State) financial statements and Schedule of Expenditures of Federal Awards at June 30, 2002.

On the September 30, 2002 HHS ACF quarterly report, the Adoption Assistance program had reported this adjustment to decrease the prior period Adoption Assistance subsidy payment expenditures by \$12,481,264. Upon submission to HHS ACF, HHS ACF questioned the adjustment. DHR explained that an adjustment was made during the June 30, 2002 year-end closing process to reduce Adoption Assistance expenditures. DHR had charged the TANF program the full amount of the costs consisting of the federal share for the Adoption Assistance program and the related general fund match. When it was brought to DHR's attention that those costs were not allowable as TANF expenditures, a reversing adjustment was made on the Adoption Assistance HHS ACF December 31, 2002 quarterly report to increase adoption assistance subsidy payment expenditures by \$12,481,264.

DHR then reported the Adoption Assistance expenditure adjustment of \$12,481,264 plus current year expenditures in the fiscal year ending June 30, 2003 Schedule of Expenditures of Federal Awards and in the State's financial statements as Adoption Assistance expenditures and recorded a corresponding decreasing adjustment for TANF.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

**Finding 2003-4 (continued)**

***Criteria:***

OMB Circular A-133 Subpart C .300(c) states the auditee shall “Comply with laws, regulations and the provisions of contracts or agreements related to each of its Federal programs.”

***Cause:***

DHR’s management incorrectly interpreted federal laws governing allowable costs under the Adoption Assistance and TANF programs. DHR’s management indicated that this adjustment was recorded because there were larger shortfalls general funds for foster care programs, which includes Adoption Assistance.

***Effect:***

The reported expenditures of \$12,481,264 that were charged to the Adoption Assistance program in the fiscal year ended June 30, 2002 are considered to be questioned costs. HHS Administration for Children and Families has sanctioned DHR.

***Recommendation:***

DHR should pursue settlement of the questioned costs with the HHS Administration for Children and Families. DHR should develop internal controls to identify allowable costs and ensure that only those costs are properly reported and recorded. Adjustments when made should be fully documented and reviewed by individuals knowledgeable about program activities allowed and unallowed. DHR should maintain evidence supporting adjustments as well as reviews of adjustments.

***Auditee Response and Corrective Action Plan:***

All of the Fiscal Management staff who have interpreted federal law governing the TANF program have retired from State service. The Department has recently filled the Chief Financial Officer’s position and he is restructuring his organization to avert the type of problems identified in this audit.

The Department submitted a Corrective Action Plan to HHS that addresses misuse of federal funds. HHS has accepted the plan.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

**Finding 2003-4 (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 2003-5**

##### **Department of Human Resources (DHR) CFDA No. 93.659 – Adoption Assistance Program**

##### **Inadequate internal controls exist over reporting administration expenditures.**

##### ***Condition:***

The Department of Human Resources (DHR) is allowed to charge administrative costs associated with the Adoption Assistance program under Title IV-E. The State's cost allocation plan reports show the time incurred by the caseworkers during the random moment studies under the Adoption Assistance program. However, when the time studies are summarized, the time spent for Adoption Assistance CFDA 93.659 and Foster Care CFDA 93.658 programs, respectively are grouped together under a heading entitled Title IV-E. The results of the time studies are used to calculate administrative costs that are then charged back solely to the Foster Care program. DHR records these costs under the Foster Care program as noted on the quarterly expenditures reports submitted to U.S. Department of Health & Human Services – Administration for Children & Families (HHS ACF).

##### ***Criteria:***

As noted in the instructions to the quarterly report submitted to HHS ACF, part 1 of the Adoption Assistance form line 3 should be “..the amount for State and local administration.”

45 CFR 1356.60(c) states, “Federal matching funds for other State and local administrative expenditures for foster care and adoption assistance under title IV-E. Federal financial participation is available at the rate of fifty percent for administrative expenditures necessary for the proper and efficient administration of the title IV-E State plan. The State's cost allocation plan shall identify which costs are allocated and claimed under this program.”

##### ***Cause:***

DHR did not properly capture data to calculate and report Adoption Assistance administration expenditures separately from Foster Care administration expenditures.

## State of Maryland

### Schedule of Findings and Questioned Costs (continued)

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

##### **Finding 2003-5 (continued)**

###### ***Effect:***

DHR is not properly reporting Adoption Assistance State Administration costs to HHS ACF. The Foster Care Title IV-E State Administration costs are overstated while the Adoption Assistance State Administration costs are understated resulting in an indeterminable amount of questioned costs.

###### ***Recommendation:***

We recommend that DHR review the federal regulations over Title IV-E and obtain an understanding of the allowable costs for the Adoption Assistance program. DHR should develop procedures to capture Adoption Assistance Administration costs and properly report these on the quarterly reports to HHS ACF. DHR should pursue resolution with HHS ACF as to resolving prior period reporting errors and settlement of any questioned costs.

###### ***Auditee Response and Corrective Action Plan:***

The Department's Cost Allocation Plan (CAP) is approved for funding caseworkers administrative costs using a Time Study to determine benefiting programs. A review of the Time Study results revealed that the category "Adoption Subsidy" is being used. The Time Study data associated with Adoption Subsidy has been considered to be Title IV-E Foster Care based on an interpretation of the CAP that identifies Adoption Subsidy as "IV-E Administrative Costs."

45 CFR 1356.60(c) does specifically separate Administrative Costs, Foster Care and Adoption Assistance. Therefore, effective quarter ending September 30, 2004, the Department will amend its costs allocation methodology for funding the Administrative Costs of caseworkers to include adoption.

###### ***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 2003-6**

**Department of Human Resources (DHR)  
CFDA No. 93.659 – Adoption Assistance Program**

**DHR did not report federal expenditures on a cash basis of accounting as required on the Title IV-E Foster Care and Adoption Assistance Financial Report.**

***Condition:***

DHR is required to prepare the Title IV-E Foster Care and Adoption Assistance Financial Report, State Quarterly Report of Expenditures and Estimates, Form ACF-IV-E-1. The expenditures reported on form ACF-IV-E-1 under the current quarter expenditures are to be reported on a cash basis. We reviewed 2 of the 4 quarterly expenditure reports submitted for fiscal year 2003 expenditures and noted that the expenditures reported under the current quarter column, which are reported in columns a and b, for the June 30, 2003 quarter, were reported on an accrual basis.

***Criteria:***

The general instructions for completing Part 1 of the FORM ACF-IV-E-1 states that “All amounts reported in column (a), (b), (c), and (d) must be for actual expenditures made under the State’s approved IV-E plan and in accordance with all applicable statutes and regulations.”

***Cause:***

DHR management did not note the error in the Adoption Assistance program upon their initial submission of the 4<sup>th</sup> quarter ACF-IV-E-1 report.

***Effect:***

DHR did not comply with the ACF’s guidelines in reporting expenditures resulting in an indeterminable amount of questioned costs.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

**Finding 2003-6 (continued)**

***Recommendation:***

We recommend that DHR determine the impact of this error and submit a revised report to ACF. We recommend that DHR review their current internal controls over report preparation and modify their procedures, if necessary, to ensure that these types of errors do not occur in the future.

***Auditee Response and Corrective Action Plan:***

The Department did report Adoption Assistance expenditures on an accrual basis for the quarter ended June 30, 2003. Actually, the Adoption Assistance accrual was incorrectly identified as a Foster Care Assistance accrual, which resulted in an overstatement of Adoption expenditures reported and an understatement of expenditures reported for Foster Care Assistance.

Our internal controls identified this problem and the Federal Financial Assistance reports for the quarter ended March 31, 2004 were adjusted to correctly reflect expenditures on a cash basis.

***Auditor's Conclusion:***

Based on the above, the finding remains as stated.

## State of Maryland

### Schedule of Findings and Questioned Costs (continued)

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

##### Finding 2003-7

##### 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, 2003 and noted that 9 of the 40 cases (22.5%) lacked one or more of the required documentation or verifications to determine eligibility. We reviewed the applicant's case files and noted the following:

- 1 case file could not be located by the Department of Human Resources
- For 3 of the 40 cases the files did not contain the written application
- For 1 of the 40 cases the applicant did not provide a social security number
- For 1 of the 40 cases the applicant's income was not verified
- For 4 of the 40 cases the applicant's resources were not verified
- For 6 of the 40 cases we were unable to determine whether the applicant's benefit payments were calculated properly
- For 1 of the 40 cases we determined that benefit payments were overpaid by \$605.

## State of Maryland

### Schedule of Findings and Questioned Costs (continued)

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

##### Finding 2003-7 (continued)

- For 4 of the 40 cases we were unable to determine whether benefits were properly discontinued when eligibility expired.

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 2003.

##### *Criteria:*

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

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

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

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;

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

**Finding 2003-7 (continued)**

- (iii) State-administered supplementary payment programs under Section 1616(a) of the Act;
- (iv) SWICA;
- (v) Unemployment compensation;
- (vi) Food stamps; and
- (vii) Any State program administered under a plan approved under Title I (assistance to the aged), X (aid to the blind), XIV (aid to the permanently and totally disabled), or XVI (aid to the aged, blind, and disabled in Puerto Rico, Guam, and the Virgin Islands) of the Act.”

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

***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.

***Effect:***

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

***Recommendation:***

We recommend the DHR comply with established regulations for determining eligibility and include 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.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

**Finding 2003-7 (continued)**

***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 2003-8**

**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 6 cash draw down requests totaling \$425 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 2003-8 (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 the cash drawdown, a signature of the Chief of Budgeting/Accounting/Revenue or a supervisor will be included in the drawdown request when it is forwarded to the 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 2003-9

##### 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 supported for the individual category of services.**

##### *Condition:*

During our review we noted that DHMH did not have adequate internal controls to record accurate medical expenditures by category of service on the CMS-64 report. We reviewed 10 category of service types on the CMS-64 report totaling \$770 million and noted a difference of \$49.9 million between the CMS-64 report and the supporting documentation provided by DHMH. 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.

##### *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—

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

##### *Cause:*

DHMH supporting documentation for the expenditures by category of service type did not reconcile to the amounts reported on the CMS-64 report.

##### *Effect:*

Improper matching of medical expenditures to individual categories of service type was noted. Question costs are undeterminable.

## State of Maryland

### Schedule of Findings and Questioned Costs (continued)

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

##### **Finding 2003-9 (continued)**

###### ***Recommendation:***

We recommend that DHMH reconcile the quarterly CMS-64 report to the underlying supporting documentation for the individual categories of service type.

###### ***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 miscategorization of service types on the CMS-64. This is clearly demonstrable from our workpapers.

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 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 2003-9 (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 2003-10

##### 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 2003-3 addresses the STO 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 2003-10 (continued)**

***Cause:***

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 2003-11**

**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."

## State of Maryland

### Schedule of Findings and Questioned Costs (continued)

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

##### **Finding 2003-11 (continued)**

###### ***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.

###### ***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 August 6, 2004, 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.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

**Finding 2003-11 (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 2003-12**

**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.

## State of Maryland

### Schedule of Findings and Questioned Costs (continued)

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

##### **Finding 2003-12 (continued)**

###### ***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.

###### ***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's 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.

## State of Maryland

### Schedule of Findings and Questioned Costs (continued)

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

##### **Finding 2003-12 (continued)**

###### *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

Schedule of Findings and Questioned Costs (continued)

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

**Finding 2003-13**

**Maryland State Department of Education Department (MSDE)  
CFDA No. 10.553, 10.555, 10.556 and 10.559 – Child Nutrition Cluster**

**Inadequate internal controls exist over cash management process.**

***Condition:***

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

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

***Criteria:***

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

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

**Finding 2003-13 (continued)**

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

***Cause:***

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

***Effect:***

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

***Recommendation:***

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

***Auditee Response and Corrective Action Plan:***

MSDE concurs with this finding.

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

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

**Finding 2003-13 (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 2003-14

###### Department of Health and Mental Hygiene

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

###### Internal control weaknesses over the Federal cash management process.

###### *Condition:*

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

###### *Criteria:*

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

31 CFR 205 Subpart B: *Rules Applicable to Federal Assistance Programs Not Included in a Treasury-State Agreement* states, "A State must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purpose. The timing and amount of funds transfers must be as close as is administratively feasible to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs."

###### *Cause:*

DHMH did not have internal controls in place to ensure that federal cash drawdowns are properly supported. DHMH internal controls do not require a supervisory review to occur prior to requesting reimbursement of federal funds.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

**Finding 2003-14 (continued)**

***Effect:***

DHMH internal controls over the cash management process are not adequate to ensure accurate preparation and processing of federal cash drawdowns. We were unable to determine whether the timing of the federal cash drawdowns were in accordance with 31 CFR 205 Subpart B.

***Recommendation:***

We recommend that DHMH maintain supporting documentation to substantiate all federal cash drawdown requests. We recommend that DHMH establish and document internal control procedures over reviewing and approving federal cash drawdowns for the Center for Disease Control and Prevention: Investigations and Technical Assistance. The review and approval of the federal cash drawdowns should be documented to substantiate that the review had been performed properly.

***Auditee Response and Corrective Action Plan:***

The Department agrees with the auditor's finding and recommendation. The Division of General Accounting has instituted procedures which require a Supervisor's (Chief, Deputy Chief or Federal Fund Supervisor) approval of all draw down requests. Documentation to support draw requests will be reviewed before approval is given and retained for audit purposes. Documentation includes R\*STARS reports, worksheets, correspondence with Treasurer's Office (when applicable), courtesy deposits and journal entries to distribute funds to the correct PCA. DHMH will institute an automated draw process in fiscal year 2005 and will ensure maintenance of proper documentation.

***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 2003-15**

**Department of Health and Mental Hygiene (DHMH)**

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

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

***Condition:***

For the fiscal year ended June 30, 2003, the Department of Health and Mental Hygiene (DHMH) personnel submitted revenue and expenditure reports to the federal grantor agency that reported revenues and 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. DHMH prepares the federal periodic reports based on activity recorded in the State's general ledger, R\*STARS. Additionally, DHMH personnel report these revenues and expenditures to the State of Maryland Comptroller's Office via submission of the Schedule G. The Schedule G is utilized to prepare the State's Schedule of Expenditures of Federal Awards. We noted that DHMH did not reconcile fiscal year revenue nor expenditure amounts reported on the periodic reports submitted to the federal grantor agency to the fiscal year revenue and expenditure amounts reported on their Schedule G nor the revenue and expenditures reported in R\*STARS. The following shows a summary of the fiscal year amounts reported by DHMH:

	<b>Schedule G</b>	<b>R*STARS</b>	<b>Federal Periodic Revenue Reports – PSC 272</b>
Revenue	\$ 16,458,808	\$ 16,458,808	\$ 17,511,597

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

Finding 2003-15 (continued)

	<u>Schedule G</u>	<u>R*STARS</u>	<u>Federal Periodic Expenditure Reports – SF-269</u>
Expense	\$ 18,728,797	\$ 18,728,797	\$ 18,927,843

We noted that the DHMH’s documents showing the \$18,927,843 amount did not accurately reflect the expenditures for the audit period. The SF-269 is prepared on a grant budget period. The DHMH documents did not take into consideration the reporting period.

**Criteria:**

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

OMB Circular A-133 Subpart C Section 310(b) 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:**

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

**Effect:**

Because a reconciliation was not performed, DHMH procedures to ensure that the expenditures reported on the State’s Schedule of Expenditures of Federal Awards for the fiscal year ended June 30, 2003 for CFDA 93.283 are not adequate. DHMH procedures to ensure revenues were properly reported are not adequate.

## State of Maryland

### Schedule of Findings and Questioned Costs (continued)

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

##### **Finding 2003-15 (continued)**

##### ***Recommendation:***

For each fiscal year, DHMH should reconcile fiscal year revenues and expenditures reported by CFDA number per the federal periodic reports to R\*STARS and DHMH's Schedule G.

##### ***Auditee Response and Correction Action Plan:***

The Department does not totally agree with the auditor's findings and recommendation.

##### **Revenue**

The auditors compared the information contained in the R\*STARS reports and Schedule G to the PSC 272-B (Statement of Cash Accountability). The PSC 272 report series does not reflect revenue by CFDA number but by Letter of Credit, which includes numerous grants associated with various CFDA numbers. For each Letter of Credit, the PSC 272-B reflects revenue draw downs by date, amount and sometimes the specific grant/subaccount but not the CFDA. To determine the amount of revenue for CFDA 93.283, the auditors reviewed the journal adjustments associated with distribution of each draw down. However, subsequent adjustments involving the amounts drawn down were not considered and they account for the difference noted.

The Department will reconcile the amount drawn by Letter of Credit per PSC 272-B to the revenue recorded in R\*STARS and the Schedule G. If the PSC 272-B reflects a subaccount within a Letter of Credit, we will reconcile to that lower level. Since the PSC 272 does not reflect CFDA number, we will not be performing a reconciliation at that level.

##### **Expenditures**

The Department has found some discrepancies in the computation of the SF-269 amount and feels it could isolate the \$200,000 difference, if necessary.

SF-269 is not based on CFDA but federal grant identification number. The Department fails to find value in just reconciling the SF-269 to the Schedule G corresponding to the fiscal year in which it was filed. The Schedule G is based on the State's fiscal year and the SF-269 is based on the grant's budget period and both are seldom the same. As a result, the expenditures reported on the SF-269 usually encompass at least two fiscal years and Schedules G, accordingly. Given the

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

**Finding 2003-15 (continued)**

aforementioned, it appears that there is more value in ensuring that the cumulative expenditures for a specific grant per R\*STARS agrees with the SF-269 and this is our practice. In addition, annually the expenditures per R\*STARS should and will be reconciled to the PSC 272-A (Federal Cash Transaction Report), which is based on grant not CFDA number.

***Auditor's Conclusion:***

DHMH provided the auditors with the letter of credit amount numbers associated to this CFDA number. The auditors reviewed the documentation provided and noted a difference. DHMH did not provide any documentation to explain the difference. Revenues and expenditures should be reconciled on a fiscal year basis because the audit is on a fiscal year basis. The CFDA number is a critical element of reporting in accordance with OMB Circular A-133. 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 2003-16**

**Department of Human Resources  
CFDA No 93.563 – Child Support Enforcement**

**Internal control weakness over the Federal cash drawdown process.**

***Condition:***

We noted that one individual within the Department of Human Resources (DHR) determines the drawdown amount, prepares the request and forwards it to the State for processing. Management neither reviews the drawdown determination for accuracy nor approves these requests prior to requesting reimbursement from federal government.

***Criteria:***

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

***Cause:***

DHR did not have internal controls in place to provide supervisory reviews over drawdowns.

***Effect:***

DHR internal controls over the cash management process are not adequate to ensure accurate preparation and processing of federal drawdowns.

***Recommendation:***

We recommend that DHR establish internal control procedures to incorporate supervisory review and approval of cash drawdowns for program expenditures. Supporting documentation to substantiate this review should be maintained for audit purposes.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

**Finding 2003-16 (continued)**

***Auditee Response and Corrective Action Plan:***

The Department conducts quarterly management reviews of Child Support federal fund draws after submitting the quarterly federal financial report. The review is an independent analysis of funds drawn compared to actual reported expenditures to determine the adjusting draw that must be made within 45 days of a quarter's end, per the Treasury State Agreement (TSA). Management's determination of the quarterly cash adjustment is supported by an analysis of our award balance and adjusting awards to be received to cover actual reported expenditures.

The individuals responsible for drawing Child Support federal funds also generate a quarterly adjusting figure. Only when management's adjusting figure and the individual who prepares the quarterly adjusting draw reconcile is a request processed.

The finding that management is not reviewing each federal fund request is correct. To state that this creates an internal control weakness over the federal cash draw down process is debatable. However, human error is possible; therefore, the Department will institute a process by which management will review draw requests on a test basis. The requests that are tested by management will be signed, dated and retained with the requests 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 2003-17**

**Department of Human Resources  
CFDA No 93.563 – Child Support Enforcement**

**Inadequate oversight over service provider operations.**

***Condition:***

We noted that Tier Technologies, Inc., a third-party service provider, processes 95% of all Child Support Enforcement (CSE) collections. We noted that the Department of Human Resource (DHR) does not have any procedures in place to ensure that the internal controls at this service provider are adequately functioning for CSE collection processing.

***Criteria:***

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

***Cause:***

The DHR does not have procedures in place to review and assess the internal controls at the service provider.

***Effect:***

We cannot determine whether the internal controls at the third party service provider are functioning adequately to ensure proper reporting of CSE collections.

***Recommendation:***

We recommend that the DHR develop procedures to ensure that the third party service provider maintains sufficient internal controls over the CSE collection process. A commonly accepted way for this to occur is to obtain and review the third party provider’s Statement on Auditing Standards No. 70 report, *Service Organizations*. This type of report is generally used to gain an understanding of internal controls and obtain evidence about the operating effectiveness of controls.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

**Finding 2003-17 (continued)**

Another acceptable way is for DHR to obtain an understanding of the internal controls, determine sufficiency of internal controls and perform testing of controls to ensure CSE collection process performed by the third party service provider is properly functioning. This will give DHR reasonable assurance that internal controls are functioning at the third party provider.

***Auditee Response and Corrective Action Plan:***

The Child Support Enforcement Administration (CSEA) concurs with the recommendation made. The CSEA is in the process of securing a contractor to perform the SAS 70. The CSEA will work to obtain a better understanding of the controls and a method for determining sufficiency of these internal controls.

***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 2003-18

##### Department of Human Resources CFDA No 93.563 – Child Support Enforcement

##### **Internal controls over the administration of Interstate Cases are inadequate.**

##### *Condition:*

When a Child Support Enforcement Interstate Case is received from an initiating State, the responding State, Maryland, should reply within 10 working days of receipt to the initiating State. We noted 12 out of 26 or 46% responding cases tested did not comply with this requirement for the following reasons:

- 3 of the 26 did not note any reasons for not complying with the 10 day requirement
- 9 of the 26 had insufficient evidence to determine the reason for not complying with the 10 day requirement

We reviewed 24 Initiating Child Support Interstate Cases and noted 12 of the 24, or 50%, did not comply with one or more of the following criteria:

- When applying for child support services, DHR's policy is to charge a \$25 application fee. We noted that 7 out of 24 initiating cases tested or 29% required a fee to be collected, however, we noted DHR did not have evidence to show whether this fee was collected.
- Within 20 days of determining that the non-custodial parent is in another State, the initiating State, Maryland, should forward the case to the interstate central registry to obtain additional information regarding the case. We noted that 7 out of 24 initiating cases tested or 29% did not forward the case to the central registry within the required time frames.
- 1 of the 24 case files could not be located by DHR

## State of Maryland

### Schedule of Findings and Questioned Costs (continued)

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

##### Finding 2003-18 (continued)

###### *Criteria:*

45 CFR 303.7 (a) (2) (i-iv) states, “Within 10 working days of receipt of an interstate IV-D case from an initiating State, the central registry must:

- (i) Ensure that the documentation submitted with the case has been reviewed to determine completeness;
- (ii) Forward the case for necessary action either to the State PLS for location services or to the appropriate agency for processing;
- (iii) Acknowledge receipt of the case and ensure that any missing documentation has been requested from the initiating State; and
- (iv) Inform the IV-D agency in the initiating State where the case was sent for action.”

45 CFR 302.33(c) states, “Application fee. (1) Beginning October 1, 1985, the State plan must provide that an application fee will be charged for each individual who applies for services under this section. Under this paragraph:

- (i) The State shall collect the application fee from the individual applying for IV-D services or pay the application fee out of State funds.
- (iv) Any application fee charged must be uniformly applied on a statewide basis and must be:
  - (A) A flat dollar amount not to exceed \$25 (or such higher or lower amount as the Secretary may determine to be appropriate for any fiscal year to reflect increases or decreases in administrative costs); or
  - (B) An amount based on a fee schedule not to exceed the flat dollar amount specified in paragraph (c)(2)(iv)(A) of this section. The fee schedule must be based on the applicant’s income.”

## State of Maryland

### Schedule of Findings and Questioned Costs (continued)

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

##### **Finding 2003-18 (continued)**

Per 45 CFR 303.7 (b) (2) states, “Initiating State IV-D agency responsibilities. The IV-D agency must:(2) Except as provided in paragraph (b)(1) of this section, within 20 calendar days of determining that the non-custodial parent is in another State, and, if appropriate, receipt of any necessary information needed to process the case, refer any interstate IV-D case to the responding State’s interstate central registry for action, including requests for location, document verification, administrative reviews in Federal income tax refund offset cases, wage withholding, and State income tax refund offset in IV-D cases.”

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:***

DHR management has indicated that the staff level could not support the existing caseload to ensure compliance with federal regulations.

##### ***Effect:***

The existing policies, procedures and internal controls that DHR had in place during the program administration of the Child Support Enforcement Program are inadequate to ensure compliance with the above stated federal regulations.

##### ***Recommendation:***

We recommend that DHR revisit their current procedures over receiving and processing interstate cases. A formal procedure for processing these cases within the timeframes and documentation of all actions regarding the case should be developed and followed. Supervisory reviews should be incorporated to ensure compliance with the federal regulations.

##### ***Auditee Response and Corrective Action Plan:***

New procedures are being established and will be implemented to address the receiving and processing of Interstate Cases. A supervisory review process will be implemented and copies of the signed-off review would be kept in the case folder at the Local Child Support Offices.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

**Finding 2003-18 (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 2003-19**

**Department of Human Resources  
CFDA No 93.563 – Child Support Enforcement**

**Internal controls over the preparation of the Child Support Enforcement Program Quarterly Report, OCSE 34A, are inadequate.**

***Condition:***

We selected two of the Child Support Enforcement Program Quarterly Reports, OCSE 34A, for testing and noted that they were not supportable. The Department of Human Resources (DHR) was unable to provide adequate supporting documentation to support the OCSE 34A reports. We noted that DHR could not verify how the data for several line items was obtained. These line items include total collections received during the quarter, the net amount of increasing/decreasing adjustments, collections forwarded to other States, and distributed to family.

We noted that DHR maintains a manual general ledger, Child Support Enforcement Agency (CSEA) collection and distribution general ledger, which tracks all of the collection and distribution activity. We noted that DHR does not reconcile this general ledger to the OCSE 34A report.

***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:***

DHR management was not aware as to how the data for these line items was extracted out of the Child Support Enforcement System.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

**Finding 2003-19 (continued)**

***Effect:***

We are unable to determine whether the total collections received during the quarter, the net amount of increasing/decreasing adjustments, collections forwarded to other States, and distributed to family amounts reported on the OCSE 34A report are accurately stated.

***Recommendation:***

We recommend that DHR review existing controls over the OCSE 34A report preparation process. The existing controls should be enhanced to ensure that amounts reported which include total collections received during the quarter, the net amount of increasing/decreasing adjustments, collections forwarded to other States, and distributed to family amounts are properly supported. The supporting documentation should be maintained and should be auditable.

Additionally, we recommend that DHR reconcile the amounts reported on the OCSE 34A report to the Child Support Enforcement Agency (CSEA) collection and distribution general ledger.

***Auditee Response and Corrective Action Plan:***

The OCSE 34A report is generated from our automated Child Support Enforcement System (CSES). As this is a system generated report that was programmed based on federal instructions, CSEA will determine the feasibility of enhancing our processes to provide supporting documentation for amounts contained in this report.

***Auditor's Conclusion:***

Based on the above, the finding remains as stated.

## State of Maryland

### Schedule of Findings and Questioned Costs (continued)

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

##### Finding 2003-20

##### Department of Human Resources CFDA No 93.563 – Child Support Enforcement

**Internal control over eligibility determinations including processing of case files and supervisory reviews should be enhanced.**

***Condition:***

The Department of Human Resources (DHR) Child Support Enforcement (CSE) is responsible for establishing paternity, enforcing support orders, collections of payments and distribution of payments. We noted that 3 of 30 cases tested, 10%, did not comply with the one or more of the federal regulations over the administration of the eligibility requirements as follows:

- 1 of the 30 case files tested showed that the DHR CSE did not take appropriate action taken for the failure of the noncustodial parent’s compliance with court order.
- 1 of the 30 case files tested showed that the DHR CSE did not close the case upon parental rights being terminated.
- 1 of the 30 case files tested showed that DHR CSE did not properly remove an incarcerated noncustodial parent from the Child Support Enforcement System.

We also noted that the eligibility case determination supervisory review logs were disposed of or inadequate to determine whether a review occurred.

***Criteria:***

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

- (a) Monitoring compliance with the support obligation;
- (b) Identifying on the date the parent fails to make payments in an amount equal to the support payable for one month, or on an earlier date in accordance with State law, those cases in which there is a failure to comply with the support obligation;  
and

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

**Finding 2003-20 (continued)**

- (c) Enforcing the obligation by:
  - (1) Initiating income withholding, in accordance with Section 303.100;
  - (2) Taking any appropriate enforcement action (except income withholding and Federal and State income tax refund offset) unless service of process is necessary, within no more than 30 calendar days of identifying a delinquency or other support-related non-compliance with the order or the location of the noncustodial parent, whichever occurs later. If service of process is necessary prior to taking an enforcement action, service must be completed (or unsuccessful attempts to serve process must be documented in accordance with the State’s guidelines defining diligent efforts under Sec. 303.3(c)), and enforcement action taken if process is served, within no later than 60 calendar days of identifying a delinquency or other support-related non-compliance with the order, or the location of the noncustodial parent, whichever occurs later.”

45 CFR 303.11 (b) (2) and (5) states, “In order to be eligible for closure, the case must meet at least one of the following criteria:

- (2) The noncustodial parent or putative father is deceased and no further action, including a levy against the estate, can be taken;
- (5) The noncustodial parent cannot pay support for the duration of the child’s minority because the parent has been institutionalized in a psychiatric facility, is incarcerated with no chance for parole, or has a medically-verified total and permanent disability with no evidence of support potential. The State must also determine that no income or assets are available to the noncustodial parent which could be levied or attached for support.”

45 CFR part 74.53(b) which states, “Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report.”

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

**Finding 2003-20 (continued)**

***Cause:***

The caseworkers did not properly follow up on the issues that were identified by the Child Support Enforcement System. DHR employees disposed of several of the documents showing the supervisory reviews.

***Effect:***

DHR did not comply with federal regulations over processing cases. We are unable to determine if the internal controls over supervisory reviews are being performed.

***Recommendation:***

We recommend that the DHR implement procedures to ensure follow up of issues noted by the Child Support Enforcement System. We recommend that a formal process of internal supervisory reviews be established. These reviews should be documented and evidence of the reviews should be auditable. All records should be maintained in accordance with the federal regulations.

***Auditee Response and Corrective Action Plan:***

We will reinforce our policy that requires completion of Case Maintenance Worksheet for actions taken and establish a process for conducting random supervisory reviews for accuracy.

***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 2003-21**

**Department of Human Resources (DHR)  
CFDA No. 10.551 and 10.561 Food Stamp Cluster**

**DHR should obtain a SAS 70 report that provides sufficient coverage which allows DHR to rely on the internal controls over the outsourced operations of the Client Automated Resource Eligibility System (CARES) operating environment.**

***Condition:***

The Department of Human Resources (DHR) has required that IBM provide a Statement of Auditing Standards No. 70 report (SAS 70), *Service Organizations*, related to the outsourced data processing it provides for DHR Food Stamp Cluster programs. Upon review of two reports provided to DHR it was noted that the testing period was for only five months of the State's fiscal year ending June 30, 2003. In order for reliance to be placed on a SAS 70 report it should cover a sufficient portion of the financial audit period to demonstrate that controls were operating as intended.

***Criteria:***

The AICPA Audit Guide Service Organizations: Applying SAS No. 70, as amended April 15, 2002 section 4.36 states, "To be useful to the user auditors, the report should ordinarily cover a minimum reporting period of six months."

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 reports did not provide significant coverage during the audit period, July 1, 2002 through June 30, 2003. Thus DHR cannot determine whether the internal controls at the third party service provider are functioning adequately throughout the audit period to ensure proper reliance.

State of Maryland

Schedule of Findings and Questioned Costs (continued)

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

**Finding 2003-21 (continued)**

***Effect:***

Insufficient documentation on internal control prevents the users of the report from formulating an opinion on the operating environment and effectiveness of the CARES application. As such, DHR does not have adequate assurance that the internal controls over CARES is operating as designed throughout the audit period.

***Recommendation:***

DHR should make the necessary arrangement to have the report prepared in accordance with AICPA guidelines, cover a minimum of six months. In doing so, there is greater assurance to DHR that the internal controls are operating as designed throughout the audit period.

***Auditee Response and Corrective Action Plan:***

DHR concurs with the recommendation and will take the necessary steps to comply.

***Auditor's Conclusion:***

Based on the above, the finding remains as stated.

# State of Maryland

## Summary Schedule of Prior Audit Findings

As of July 30, 2004

### Single Audit Findings for Fiscal Year Ended June 30, 2002

**Department** Health and Mental Hygiene  
**Program** Special Supplemental Nutrition Program for Women, Infants and Children  
**CFDA Number** 10.557  
**Finding Number** 2002-1  
**Comment** **Unresolved by the Federal Government – Original Response and Corrective Action Plan:** Although WIC Program staff conducted sight visits to local agencies within the federal fiscal year, operational reports were not reviewed until October and November due to the staff constraints. Letters with findings were sent to the two local agencies in November 2002.

Since the new management information system, WIC WINS, has been implemented statewide, State WIC staff has the time to conduct the evaluations according to the schedule. The 2003 management evaluation schedule is being monitored to ensure the completion as specified in the federal regulations.

**Auditee Updated Response:** Management evaluations continue to be conducted according to the schedule that has been developed.

**Department** Health and Mental Hygiene  
**Program** Special Supplemental Nutrition Program for Women, Infants and Children  
**CFDA Number** 10.557  
**Finding Number** 2002-2  
**Comment** **Unresolved by the Federal Government – Original Response and Corrective Action Plan:** The WIC Program does not recall being asked for a reconciliation of food instruments. Although the Program was in the process of implementing a new information system in February 2002, it was able to reconcile food instruments under both the old and new system. Food instruments continue to be reconciled on a monthly basis.

**Auditee Updated Response:** Food instruments continue to be reconciled on a monthly basis.

## State of Maryland

### Summary Schedule of Prior Audit Findings (continued)

#### Single Audit Findings for Fiscal Year Ended June 30, 2002 (continued)

**Department** Health and Mental Hygiene  
**Program** Substance Abuse Prevention and Treatment Block Grant  
**CFDA Number** 93.959  
**Finding Number** 2002-3  
**Comment** **Unresolved by the Federal Government – Original Response and Corrective Action Plan:** ADAA agrees with the audit finding. The agency will take the necessary steps to implement a tracking system that will ensure better compliance with federal regulations. ADAA is currently developing a new grants management data collection system. The agency also has approval to hire a federally funded SAPT Block Grant Coordinator. The grants data system and the SAPT coordinator will further enable ADAA to meet all federal Block Grant tracking requirements.

This action plan applies to necessary actions relative to 45 CFR section 96.128(f) for HIV, 45 CFR section 96.127(c) for tuberculosis, and 45 CFR section 96.124(c) for pregnant women and women with dependent children.

**Auditee Updated Response:** The SAPT federally funded Block Grant Coordinator position is integral part of making the necessary improvements as cited in this audit. A Coordinator was hired in late May 2003. Immediate improvements were made to the development of the SAPT Block Grant application. Specific conveyances were developed for transmission to recipients of Block Grant funds regarding the regulations and conditions attendant to receiving those funds. These conditions were submitted to the technical assistance contractor for SAMSHA for review and comment. Federal recommendations for improvements are being incorporated into the revised conditions that will be sent to grant recipients in fiscal year 2005. This position became vacant in late September. Following a successful request for a freeze exemption, the hiring of a new SAPT Block Grant Coordinator is anticipated by March 2004.

A programmer from the ADAA Management Information Services has been assigned to complete work on the implementation of the grants data system.

## State of Maryland

### Summary Schedule of Prior Audit Findings (continued)

#### Single Audit Findings for Fiscal Year Ended June 30, 2002 (continued)

**Department** Health and Mental Hygiene  
**Program** Substance Abuse Prevention and Treatment Block Grant  
**CFDA Number** 93.959  
**Finding Number** 2002-4  
**Comment** **Unresolved by the Federal Government – Updated Response:** The AIDS Administration has forwarded to the Department the above mentioned Forms 440 for fiscal year 2003.

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 SFY01, 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 other 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 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 Alcohol and Drug Abuse Administration (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.

## State of Maryland

### Summary Schedule of Prior Audit Findings (continued)

#### Single Audit Findings for Fiscal Year Ended June 30, 2002 (continued)

***Finding Number*** 2002-4 (continued)

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 fiscal year 2003, ADAA announced a Request for Proposal (RFP) for science-based prevention programs and awarded new grants totaling \$600,000 to several counties for new prevention initiatives.

As noted in the previous response, during fiscal year 2003 the ADAA awarded \$600,000 in SAPT funds for new prevention methods (Model Program Initiative). Substance abuse prevention services did not receive any budget reductions during the cost containments accomplished by the ADAA during fiscal years 2003 and 2004.

Treatment Services in Penal and Correctional Institutions [45 CFR section 96.135(b)(2)]: The federal regulation cited (45 CFR section 93.135) sets a ceiling on 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.

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.

As noted in the ADAA 2004 Update for Finding 2002-3, the SAPT federally funded Block Grant Coordinator position is an integral part of making the necessary improvements as cited in this audit. A Coordinator was hired in late May 2003. Immediate improvements were made to the development of the SAPT Block Grant application. Specific conveyances were developed for transmission to recipients of Block Grant funds regarding the regulations and conditions attendant to receiving those funds. These conditions were submitted to the technical assistance contractor for SAMSHA for review and comment.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

**Single Audit Findings for Fiscal Year Ended June 30, 2002 (continued)**

**Finding Number** 2002-4 (continued)

Federal recommendations for improvement are being incorporated into the revised conditions that will be sent to grant recipients in fiscal year 2005. This position became vacant in late September. Following a successful request for a freeze exemption, the hiring of a new SAPT Block Grant Coordinator is anticipated by March 2004.

A programmer from the ADAA Management Information Services has been assigned to complete work on the implementation of the grants data system.

**Department**  
**Program**

Human Resources  
Child Care and Development Block Grant, and Child Care Mandatory and Matching Funds of the Child Care Development Fund

**CFDA Number**

93.575 and 93.596

**Finding Number**

2002-5

**Comment**

**Unresolved by the Federal Government – Auditee Updated Response and Corrective Action Plan:** This finding dealt with expenditures for the Child Care Mandatory and Matching funds (CFDA No. 93.596) and the Child Care Discretionary funds (CFDA No. 93.575) which were both erroneously reported in Schedule G under CFDA No. 93.596. This error was immediately corrected when it was brought to the Department's attention.

To ensure that this error will not occur in the future, the Department instituted a new procedure whereby a staff member in the Grants Management of the Office of Budget and Finance, other than the one completing the Schedule G to independently review the accuracy of expenditures reported to their related CFDA numbers. This procedure was successfully followed in the preparation of fiscal year 2003 Schedule G and will continue to be followed in the following years.

**Anticipated Implementation Date:** Plan has been implemented.

## State of Maryland

### Summary Schedule of Prior Audit Findings (continued)

#### Single Audit Findings for Fiscal Year Ended June 30, 2002 (continued)

<b>Department</b>	Human Resources
<b>Program</b>	Temporary Assistance to Needy Families, Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care Development fund, and Social Services Block Grant
<b>CFDA Number</b>	93.558, 93.575, 93.596, and 93.667
<b>Finding Number</b>	2002-6
<b>Comment</b>	<p><b>Unresolved by the Federal Government – Original Response and Corrective Action Plan:</b> 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.</p> <p>In order to implement the audit recommendation, the Department has taken the following two steps:</p> <ol style="list-style-type: none"><li>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.</li><li>2. The CFDA numbers will be independently reviewed by a staff member other than the person who completed the SEFA.</li></ol> <p><b>Auditee Updated Response:</b> The Department had implemented the steps outlined in the Auditee Response and Corrective Action Plan.</p> <p>In State fiscal year 2003, funds were transferred from the Temporary Assistance for Needy Families (TANF) grant into the Social Services Block Grant (SSBG) and the Child Care Development Fund (CCDF).</p> <p>The expenditures incurred against those transferred funds were reported properly in the Schedule of Expenditures of Federal Awards (SEFA) under CFDA Nos. 93.667 and 93.575, respectively. The same procedure will be followed in future years.</p>

## State of Maryland

### Summary Schedule of Prior Audit Findings (continued)

#### Single Audit Findings for Fiscal Year Ended June 30, 2002 (continued)

<i>Department</i>	Human Resources
<i>Program</i>	Low Income Home Energy Assistance
<i>CFDA Number</i>	93.568
<i>Finding Number</i>	2002-7
<i>Comment</i>	<p><b>Unresolved by the Federal Government – Original Response and Corrective Action Plan:</b> 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 fiscal year 2001 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.</p> <p>A site visit on March 2003 by State Office Home Energy Programs (OHEP) staff is scheduled after receipt of the agency's 2002 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.</p> <p>In the case of Anne Arundel County Economic Opportunity Committee, Inc.: The local agency's corrective action plan in 2001 identified internal control procedures that prevented the temporary transfer of MEAP funds.</p> <p>The agency's single audit for 2002 by an independent audit disclosed no repeat finding. Since the final recommendation of Anne Arundel's MEAP funds in fiscal year 2001 matched state records, there was proper accounting of all local MEAP funds.</p> <p>Two site visits scheduled in fiscal year 2003 were postponed due to weather. A third date has been scheduled during March 2003 to confirm compliance.</p> <p>In summary, DHR has policies to ensure 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.</p> <p><b>Auditee Updated Response:</b> DHR through its OHEP management can ensure that adequate documentation is available for auditor's observation that corrective action was successful and subsequent reviews show no reoccurrence.</p>

## State of Maryland

### Summary Schedule of Prior Audit Findings (continued)

#### Single Audit Findings for Fiscal Year Ended June 30, 2002 (continued)

**Department** Human Resources  
**Program** Low Income Home Energy Assistance  
**CFDA Number** 93.568  
**Finding Number** 2002-8  
**Comment**

**Unresolved by the Federal Government – Original Response and Corrective Action Plan:** It is correct that site visits to subrecipients were not done in 2002. 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 2003, OHEP will make site visits to all subrecipient agencies. When on-site monitoring visits are made, the monitors will review both 2002 and 2003 local administrative 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.

**Auditee Updated Response:** DHR through its OHEP management can ensure that the local administrative agencies are complying with applicable federal regulations. In fiscal year 2004, OHEP plans to conduct on average two site visits per month visiting all local administering agencies. The goal is to visit each local agency on an annual basis.

When on-site monitoring visits are made, the monitors will review fiscal year 2002 through fiscal year 2004 local administrative agency compliance with applicable federal regulations and state guidance. To enable OHEP to conduct all require site visits by September 30, 2004, program staff is being currently reassigned and trained in the necessary program and financial monitoring procedures.

## State of Maryland

### Summary Schedule of Prior Audit Findings (continued)

#### Single Audit Findings for Fiscal Year Ended June 30, 2002 (continued)

<b>Department</b>	Human Resources
<b>Program</b>	Child Care and Development Fund Block Grant, and Child Care Mandatory and Matching Funds of the Child Care Development Fund
<b>CFDA Number</b>	93.575 and 93.596
<b>Finding Number</b>	2002-9
<b>Comment</b>	<p><b>Unresolved by the Federal Government – Original Response and Corrective Action Plan:</b> 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.</p> <p>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.</p> <p>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.</p> <p><b>Auditee Updated Response:</b> This finding dealt with Child Care Development Funds (CCDF) expenditures which were not accurately reported on the appropriate lines in the CCDF reports. As a result, the reported expenditures for earmarks as of June 30, 2002 were not in compliance with the earmarking federal regulation requirements.</p> <p>The Department stated in the Auditee Response and Corrective Action Plan that the expenditures in question were revised in the quarter ended September 30, 2003 to reflect the proper expenditures for each line in the CCDF reports. The Department also instituted a procedure whereby staff from both the Child Care Administration and the Grants Management meet on a quarterly basis, prior to the submission of the CCDF reports, to ensure that the expenditures are reported properly for each line of the CCDF reports.</p> <p>The Department will continue to monitor the reported earmark expenditures to ensure compliance with the earmarking requirements specified in the federal regulations.</p>

## State of Maryland

### Summary Schedule of Prior Audit Findings (continued)

#### Single Audit Findings for Fiscal Year Ended June 30, 2002 (continued)

<b>Department Program</b>	State Treasurer's Office School Breakfast Program, National School Lunch Program, Child and Adult Care Food Program, State Administrative Matching Grants for Food Stamp Program, Employment Services, Unemployment Insurance Program, Welfare-to-Work Grants to States and Localities, Workforce Investment Act, Airport Improvement Program, Federal Transit: Capital Investment Grants, Federal Transit: Formula Grants, Title I Grants to Local Education Agencies, Special Education: Grants to States, Vocational Education: Basic Grants to States, Rehabilitation Services: Vocational Rehabilitation Grants to States, Reading Excellence, Class Size Reduction, Temporary Assistance to Needy Families, Child Support Enforcement, Low-Income Home Energy Assistance, Foster Care: Title IV-E, Medical Assistance Program, HIV Care Formula Grants, Block Grants for Prevention and Treatment of Substance Abuse, and Social Security: Disability Insurance
<b>CFDA Number</b>	10.553, 10.555, 10.558, 10.561, 17.207, 17.225, 17.253, 17.255, 20.106, 20.500, 20.507, 84.010, 84.027, 84.048, 84.126, 84.338, 84.340, 93.558, 93.563, 93.568, 93.658, 93.778, 93.917, 93.959, and 96.001
<b>Finding Number</b>	2002-10
<b>Comment</b>	<b>Unresolved by the Federal Government – Original Response and Corrective Action Plan:</b> 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.

**Auditee Updated Response:** Plan has been implemented.

## State of Maryland

### Summary Schedule of Prior Audit Findings (continued)

#### Single Audit Findings for Fiscal Year Ended June 30, 2002 (continued)

<i>Department</i>	Housing and Community Development
<i>Program</i>	Section 8 New Construction and Substantial Rehabilitation
<i>CFDA Number</i>	14.182
<i>Finding Number</i>	2002-11
<i>Comment</i>	<p><b>Unresolved by the Federal Government – Original Response and Corrective Action Plan:</b> 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. 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 requirements.</p> <p><b>Auditee Updated Response:</b> The recertification of DHCD's check clearance pattern will take place in the future in accordance with the requirements contained in the Cash Management Improvement Act Agreement between the Maryland State Treasurer and the Secretary of the United States Department of the Treasury.</p>

## State of Maryland

### Summary Schedule of Prior Audit Findings (continued)

#### Single Audit Findings for Fiscal Year Ended June 30, 2002 (continued)

**Department** Housing and Community Development  
**Program** Section 8 New Construction and Substantial Rehabilitation  
**CFDA Number** 14.182  
**Finding Number** 2002-12  
**Comment** **Unresolved by the Federal Government –Corrective Action Plan:** DHCD’s current procedures in conducting management reviews of Section 8 PBCA properties are to follow the resident file random sampling plan as required in its agreement with HUD.

Under the PBCA contract, we are 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

**Anticipated Implementation Date:** Plan has been implemented.

**Department** Housing and Community Development  
**Program** Section 8 New Construction and Substantial Rehabilitation  
**CFDA Number** 14.182  
**Finding Number** 2002-13  
**Comment** **Unresolved by the Federal Government – Auditee Response and Corrective Action Plan:** DHCD reviewed the nonperformance based Section 8 Properties for fiscal year 2002 and determined that seven properties fell within the federal audit requirements. We contacted these properties and obtained the necessary audits. The audits were reviewed in accordance with our current procedures and we followed-up on any outstanding issues. For fiscal year 2003, eight properties fell within the federal requirements. The audits for these properties were due on March 31, 2004 and reviewed according to our procedures. We have received and reviewed the audits for the eight properties.

**Anticipated Implementation Date:** Plan has been implemented.

## State of Maryland

### Summary Schedule of Prior Audit Findings (continued)

#### Single Audit Findings for Fiscal Year Ended June 30, 2002 (continued)

<i>Department</i>	Labor, Licensing and Regulation
<i>Program</i>	Unemployment Insurance Program
<i>CFDA Number</i>	17.225
<i>Finding Number</i>	2002-14
<i>Comment</i>	<b>Unresolved by the Federal Government – Auditee Response and Corrective Action Plan:</b> The Department agrees with this recommendation and will continue to maintain all documentation supporting the basis for the development of the check clearance patterns for benefit payments. DLLR also agrees that the methodology defined in the CMIA Agreement, Sections 7.11 to 7.11.4, is not currently being used to develop the actual clearance pattern.

DLLR retains documentation to support the methodology currently being used to ensure an acceptable clearance pattern. This documentation has been provided to the State Treasurer and they did not request any changes or clarifications to the clearance patterns. We believe that this methodology provides a very accurate clearance pattern. It is also important to note that DLLR has not incurred any interest liability because the UI Trust Fund banking fees have always exceeded the amount of interest earned on any excess balances.

If the documentation provided is acceptable, the Department shall begin to work with the State Treasurer and the U.S. Department of the Treasury to ensure that the clearance pattern methodology currently being utilized is properly defined in the CMIA Agreement.

## State of Maryland

### Summary Schedule of Prior Audit Findings (continued)

#### Single Audit Findings for Fiscal Year Ended June 30, 2002 (continued)

<i>Department</i>	Labor, Licensing and Regulation
<i>Program</i>	Unemployment Insurance Program
<i>CFDA Number</i>	17.225
<i>Finding Number</i>	2002-15
<i>Comment</i>	<p><b>Unresolved by the Federal Government – Original Response and Corrective Action Plan:</b> The agency concurs with this finding. Current grant accounting systems within DLLR do not allow for a complete reconciliation of costs between the R*STARS system and the system used for grant accounting (the FARS system). Secretary Fielder has directed DLLR to establish a working group that will find the methods needed to identify and reconcile R*STARS and FARS differences down to the employee and grant level. The Secretary has stated that should these efforts prove unsuccessful, he will direct the group to seek out an alternative time distribution system that will reconcile with R*STARS. Projected timetables have not yet been determined.</p> <p><b>Auditee Updated Response:</b> The agency has made significant progress in this area. Beginning in fiscal year 2003 and prospectively from that point forward, the Department of Labor, Licensing and Regulation (DLLR) has developed and implemented a method to annually reconcile grant accounting within the R*STARS and FARS systems. Additional work is currently underway to develop a quarterly grant reconciliation process. This reconciliation process will ensure that the R*STARS original books and records agree with the amounts recorded on the SF-269 reports. Management believes this will eliminate such findings in the future.</p>

## State of Maryland

### Summary Schedule of Prior Audit Findings (continued)

#### Single Audit Findings for Fiscal Year Ended June 30, 2002 (continued)

<i>Department</i>	Labor, Licensing and Regulation
<i>Program</i>	Unemployment Insurance Program
<i>CFDA Number</i>	17.225
<i>Finding Number</i>	2002-16
<i>Comment</i>	<p><b>Unresolved by the Federal Government – Original Response and Corrective Action Plan:</b> The agency does not fully concur with this finding. DLLR complies with Circular No. A-87, “Cost Principles for State, Local, and Indian Tribal 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 drawdowns are initially based upon estimates within the R*STARS system. The drawdowns 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.</p> <p><b>Auditee Updated Response:</b> As stated in our response to finding 2002-15, DLLR has made significant progress in this area. Starting in fiscal year 2003, DLLR has developed and implemented a method to annually reconcile grant accounting with the R*STARS and FARS systems. Furthermore, to specifically address this finding, the Department shall post correcting entries to the grants identified by the auditor under CFDA No. 17.225. This work will allow the R*STARS original books and records to agree with the amounts recorded on the SF-269 reports, <b>thereby eliminating any questioned costs.</b></p> <p>Correcting entries have been posted to the grants and supporting documentation was sent to the U.S. Dept. of Labor, Employment and Training Administration on May 11, 2004. The Department of Labor's Final Determination is pending at this time.</p> <p>Management believes this reconciliation process will eliminate such findings in the future.</p>

## State of Maryland

### Summary Schedule of Prior Audit Findings (continued)

#### Single Audit Findings for Fiscal Year Ended June 30, 2002 (continued)

**Department** Maryland State Department of Education  
**Program** Rehabilitation Services: Vocational Rehabilitation Grants to States  
**CFDA Number** 84.126  
**Finding Number** 2002-17  
**Comment** **Unresolved by the Federal Government – Auditee Response and Corrective Action Plan:** The Division of Rehabilitation Services has implemented the following corrective action plan:

- Administrative Instruction 03-06, “60-Day Eligibility Determination” was disseminated on March 31, 2003, to clarify and reinforce the requirement to make eligibility decisions within the 60-day time frame. It also included procedures to be used in the new case management system, AWARE, when making eligibility decisions and when there is a need for an extension: <http://intranet/issuances/Intranet/AI03Folder/ai0306.htm>
- Statewide staff training was held March 26, April 1, April 9 and April 15, 2003 related to implementation of AWARE. “Timely Eligibility Decisions” was a main agenda item and was presented by the Special Assistant to the Assistant State Superintendent. The presentation included the finding of noncompliance; the importance of making timely eligibility decisions; AWARE procedures to assure appropriate documentation; and required actions.

Additionally, DORS MIS branch has developed a 60-day eligibility report and it is currently being tested by field staff. In the interim, offices having problems with this necessary activity are being prompted to devise an internal system to avoid delayed decisions of this nature. A suggestion is being made to have support staff in these offices routinely “red flag” the files in advance to alert the specialists of those cases nearing the required 60-day requirement.

**Anticipated Implementation Date:** Plan has been implemented.

## State of Maryland

### Summary Schedule of Prior Audit Findings (continued)

#### Single Audit Findings for Fiscal Year Ended June 30, 2002 (continued)

<i>Department</i>	Maryland State Department of Education
<i>Program</i>	Title I Grants to Local Educational Agencies and Rehabilitation Services: Vocational Rehabilitation Grants to States
<i>CFDA Number</i>	84.010 and 84.126
<i>Finding Number</i>	2002-18
<i>Comment</i>	<p><b>Unresolved by the Federal Government – Auditee Updated Response and Corrective Action Plan:</b> MSDE has adopted the following procedures to segregate duties for authorization, execution, recording, and reporting the federal funds:</p> <ul style="list-style-type: none"><li>• The General Accounting Supervisor will run reports to draw in funds for the following:<ul style="list-style-type: none"><li>– Cash Management Improvement Act Grants (weekly)</li><li>– Non-Cash Management Improvement Act Grants (monthly)</li><li>– Payroll Distributions for all grants (one day after funds are expended)</li></ul></li><li>• 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 drawdown to the General Accounting Supervisor. The General Accounting Supervisor will prepare a journal to redistribute the funds in R*STARS.</li><li>• At year end, the Schedule G is prepared from efforts of the accounting managers and accounting supervisors. Revenues are derived from a FOCUS program in R*STARS. Expenditures are from a DAFR Report.</li></ul>

**Anticipated Implementation Date:** Plan has been implemented.

## State of Maryland

### Summary Schedule of Prior Audit Findings (continued)

#### Single Audit Findings for Fiscal Year Ended June 30, 2002 (continued)

<i>Department</i>	Maryland Transit Administration
<i>Program</i>	Federal Transit: Capital Investment Grants and Federal Transit: Formula Grants
<i>CFDA Number</i>	20.500 and 20.507
<i>Finding Number</i>	2002-19
<i>Comment</i>	<p><b>Unresolved by the Federal Government – Original Response and Corrective Action Plan:</b> The MTA has strengthened its internal controls to ensure procurements are properly documented by:</p> <ul style="list-style-type: none"><li>• Increasing accountability of end users to limit services to original scope of work as identified on the purchase order.</li><li>• Establishing standards and a reporting process to identify time periods for open purchase requests.</li><li>• Restructuring coding processes to better identify open orders and provide tracking mechanisms along the critical paths.</li><li>• 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.</li><li>• 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.</li></ul>

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.

## State of Maryland

### Summary Schedule of Prior Audit Findings (continued)

#### Single Audit Findings for Fiscal Year Ended June 30, 2002 (continued)

**Department** Maryland Transit Administration  
**Program** Federal Transit: Capital Investment Grants and Federal Transit: Formula Grants  
**CFDA Number** 20.500 and 20.507  
**Finding Number** 2002-20  
**Comment** **Unresolved by the Federal Government – Updated Response and Corrective Action Plan:** The Administration uses the average clearance funding technique that is an approved funding technique per the CMIA agreement. The average clearance funding technique incorporated in the CMIA agreement is based on a sample population of all vendor payment transactions. All transactions must utilize the agreed upon clearance days formula developed by the State of Maryland Treasurer's Office and approved by the United States Department of the Treasury. Therefore, the MTA does not track individual vendor payments for when they clear the State's bank account. The MTA has no authority to change the clearance day's formula in the CMIA agreement for each individual payment transaction.

**Department** Department of Health and Mental Hygiene  
**Program** Medicaid Cluster  
**CFDA Number** 93.775, 93.777 and 93.778  
**Finding Number** 2002-21  
**Comment** **Unresolved by the Federal Government – Original 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.

## State of Maryland

### Summary Schedule of Prior Audit Findings (continued)

#### Single Audit Findings for Fiscal Year Ended June 30, 2002 (continued)

**Department** Department of Health and Mental Hygiene  
**Program** Medicaid Cluster  
**CFDA Number** 93.775, 93.777 and 93.778  
**Finding Number** 2002-22  
**Comment** **Unresolved by the Federal Government – Original 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 the General Accounting Department.

**Department** Department of Health and Mental Hygiene  
**Program** Medicaid Cluster  
**CFDA Number** 93.775, 93.777 and 93.778  
**Finding Number** 2002-23  
**Comment** **Unresolved by the Federal Government – Original 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 miscategorization of service types on the CMS-64. This is clearly demonstrable from our workpapers.

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.

## State of Maryland

### Summary Schedule of Prior Audit Findings (continued)

#### Single Audit Findings for Fiscal Year Ended June 30, 2002 (continued)

**Finding Number** 2002-23 (continued)

There have been 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 – HMFM4545.

The 64.9 Waiver portion of the report is stated in “net payments” after adjustments for Waiver-related TPL collections. Source reports MMIS II – HMFM4546 – 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.

**Department** Department of Health and Mental Hygiene

**Program** Medicaid Cluster

**CFDA Number** 93.775, 93.777 and 93.778

**Finding Number** 2002-24

**Comment** **Unresolved by the Federal Government – Original Response and Corrective Action Plan:** The Department of Health and Mental Hygiene agrees with the audit findings. The Department has requested documentation related to fiscal year 2004 clearance pattern from the Comptroller’s Office as well as the Treasurer’s Office. The Department will request this information annually and maintain it on site for audit purposes.

## State of Maryland

### Summary Schedule of Prior Audit Findings (continued)

#### Single Audit Findings for Fiscal Year Ended June 30, 2002 (continued)

**Department** Department of Health and Mental Hygiene  
**Program** Medicaid Cluster  
**CFDA Number** 93.775, 93.777 and 93.778  
**Finding Number** 2002-25  
**Comment** **Unresolved by the Federal Government – Original 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 August 6, 2004, 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.

**Department** Department of Health and Mental Hygiene  
**Program** Medicaid Cluster  
**CFDA Number** 93.775, 93.777 and 93.778  
**Finding Number** 2002-26  
**Comment** **Unresolved by the Federal Government – Original 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.

## State of Maryland

### Summary Schedule of Prior Audit Findings (continued)

#### Single Audit Findings for Fiscal Year Ended June 30, 2001

<i>Department</i>	Labor, Licensing and Regulation
<i>Program</i>	Workforce Investment Act
<i>CFDA Number</i>	17.255
<i>Finding Number</i>	2001-1
<i>Comment</i>	<p><b>Unresolved by the Federal Government – Original Response and Corrective Action Plan:</b> 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.</p> <p><b>Auditee Updated Response:</b> The agency has made significant progress in this area. Beginning in fiscal year 2003 and prospectively from that point forward, the Department of Labor, Licensing and Regulation (DLLR) has developed and implemented a method to annually reconcile grant accounting within the R*STARS and FARS systems. Additional work is currently underway to develop a quarterly grant reconciliation process. This reconciliation process will ensure that the R*STARS original books and records agree with the amounts recorded on the SF-269 reports. Management believes this will eliminate such findings in the future.</p>

## State of Maryland

### Summary Schedule of Prior Audit Findings (continued)

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

<i>Department</i>	Transportation State Highway Administration
<i>Program</i>	Highway Planning and Construction Cluster
<i>CFDA Number</i>	20.205 and 23.003
<i>Finding Number</i>	2001-5
<i>Comment</i>	<p><b>Unresolved by the Federal Government</b> – 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.</p> <p><b>Auditee Updated Response and Corrective Action Plan:</b> The State Highway Administration does adequately monitor subrecipients to ensure those that have expended more than \$300,000 in federal funds have met the audit requirements of OMB Circular A-133. As noted before, the Administration maintains a log that includes the subrecipient's name, amount of federal funds received, date of the audit report, the date the report is reviewed, any findings noted and follow-up action needed. The log is reviewed on a monthly basis to identify audit reports not received. Those entities that have not submitted required reports are contacted to submit the reports. Additionally, the Administration has received all required reports for the past years. These reports are available for review.</p>

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 – Updated Corrective Action Plan:**  
MSDE’s staff has adopted the following procedures for federal draw down and cash management activities. These procedures incorporate the following:

- As stipulated in the agreement between the U.S. Government and the State Comptroller, MSDE shall draw down funds for grants nine days after the funds are transmitted, the draw down for payroll will occur the day after the funds are expended, and all operating expenses will be drawn down by the 16th of the month.
- The Department shall request an applicable DAFR Report and reconcile the Schedule G expenditures and revenues to the GAPS Report and R\*STARS Reports.
- Any and all adjustments shall be prepared for the reconciliation and reviewed by the chief of the accounting branch.

**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><b>Unresolved by the Federal Government – Previous Response and Corrective Action:</b> 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><b>Auditee Updated Response:</b> Previously the Department stated it would obtain a copy of the 2002 audit from the subrecipient when it was completed. The audit report was obtained and it disclosed “no instances of noncompliance that are required to be reported under Government Auditing Standards.” The audit also noted that “no matters involving the internal control over financial reporting and its operation that we consider to be material weakness.”</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.

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

The fiscal years 1999, 2000, 2001 and 2002 Single Audit Reports for all human services subrecipients have been received and reviewed by the Audit Division. In addition, the Audit Division has determined which human services subrecipients should submit a fiscal year 2003 Single Audit Report and they have been notified, accordingly. A tracking system and audit program has been set up to monitor the receipt and review of reports.

State of Maryland

Summary Schedule of Prior Audit Findings (continued)

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

<i>Department</i>	Health and Mental Hygiene
<i>Program</i>	Medicaid Cluster
<i>CFDA Number</i>	93.775, 93.777, and 93.778
<i>Finding Number</i>	2001-9
<i>Comment</i>	<b>Unresolved by the Federal Government – Auditee Updated Response and Corrective Action Plan:</b> The Program received a completed risk assessment from Clifton Gunderson, LLC (CG) in November 2003. The Program is currently assessing the document and will remediate items deemed as threats. The Program will continue to have a risk assessment/analyses performed as required by federal law.

## State of Maryland

### Summary Schedule of Prior Audit Findings (continued)

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

<i>Department</i>	State Treasurer's Office
<i>Program</i>	Various
<i>CFDA Number</i>	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
<i>Finding Number</i>	2001-10
<i>Comment</i>	<b>Unresolved by the Federal Government – Auditee Response:</b> 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.
<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>	2001-1 (USM)
<i>Comment</i>	<b>Unresolved by the Federal Government – Auditee Response and Corrective Action Plan:</b> 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.  <b>Current Status:</b> The institution has satisfied its time and effort reporting requirements and all are up-to-date as of this point in time.  The institution had some difficulty in determining how to best effect the reimbursement of the \$5,446 to the Veterans Administration. During fiscal year 2004, a transaction had been executed to move the questioned funds back into the Veterans Administration's grant accounts, effecting a reimbursement of the funds.

## 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 computer 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:** 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 and is no longer a problem and financial aid is being returned in a timely manner.

## 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:** The Pell software has been installed on the network. 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.