

Audit Report

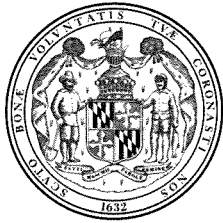
**University System of Maryland
Coppin State University**

November 2013



**OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY**

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

November 18, 2013

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Executive Director

Thomas J. Barnickel III, CPA
Legislative Auditor

Senator James C. Rosapepe, Co-Chair, Joint Audit Committee
Delegate Guy J. Guzzone, Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have audited the University System of Maryland (USM) – Coppin State University (CSU) for the period beginning July 1, 2009 and ending March 26, 2012. CSU is a comprehensive public institution of USM and operates under the jurisdiction of USM's Board of Regents. CSU offers a broad range of baccalaureate programs in both traditional arts and sciences, teacher education and nursing, as well as selected professionally-oriented graduate programs.

Our audit disclosed a number of internal control deficiencies related to CSU's student accounts receivable procedures as well as the failure to take appropriate and timely actions to collect outstanding student accounts. CSU's student accounts receivable totaled approximately \$3 million as of March 31, 2012, of which \$2.3 million had been outstanding for over 120 days.

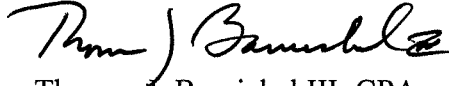
For example, certain student account transactions, such as non-cash credits and tuition waivers, as well as student refunds were not subject to independent verification. CSU also did not refer delinquent accounts to the State's Central Collection Unit in a timely manner, and we identified a number of students with outstanding balances that had been permitted to register for classes in violation of USM Board of Regents' policy.

CSU's contract monitoring procedures were not comprehensive to ensure vendors complied with contract requirements. For example, CSU modified its food service management contract to reduce mandated vendor commission payments by \$100,000 without adequate support to justify the modification. CSU also did not ensure this vendor timely completed capital improvements as specified in the contract.

Finally, a number of internal control and record keeping deficiencies were noted in areas including student financial aid, cash receipts, information systems, and equipment inventory. For example, CSU equipment records were incomplete and physical inventories had not been conducted as required.

The USM Office's response to this audit, on behalf of CSU, is included as an appendix to this report. We wish to acknowledge the cooperation extended to us during the course of this audit by CSU.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Thomas J. Barnickel III". The signature is fluid and cursive, with a large initial "T" and a stylized "B".

Thomas J. Barnickel III, CPA
Legislative Auditor

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Executive Summary

Legislative Audit Report on University System of Maryland (USM)

Coppin State University (CSU)

November 2013

- **CSU did not always take action as required to collect outstanding student account balances, and we identified a number of students who were allowed to register for classes despite having unpaid tuition and fees from prior semesters (Finding 1).**

CSU should transfer all delinquent accounts to CCU as required and should prohibit students with delinquent accounts from registering for subsequent classes in accordance with USM Board of Regents' policy.

- **Student account adjustments (such as non-cash credit and tuition waivers), student refunds, and third-party billings were not properly controlled (Findings 2-3).**

CSU should ensure output reports of non-cash credit adjustments posted to student accounts include all such credit adjustments and, along with tuition waivers and third-party billings, are subject to review. CSU should also separate employee duties to ensure only proper student refunds are issued.

- **CSU modified its food service management contract to reduce the required commission payments by \$100,000 without adequate support to justify the reductions. CSU also did not require this vendor to timely complete capital improvements as specified in the contract (Findings 6-7).**

CSU should ensure that contract modifications are adequately supported and justified. CSU should also implement procedures to ensure compliance with all contractual terms.

- **Internal control and record keeping deficiencies were noted with respect to CSU's student financial aid, cash receipts, information systems, and equipment.**

CSU should take the recommended actions to improve controls in these areas.

Background Information

Agency Responsibilities

Coppin State University (CSU) is a comprehensive public institution of the University System of Maryland (USM) and operates under the jurisdiction of the USM's Board of Regents. CSU provides a broad range of baccalaureate programs in both traditional arts and sciences, teacher education and nursing, as well as select professionally-oriented graduate programs. Student enrollment for the spring 2012 semester totaled 3,534, consisting of 3,001 undergraduate students and 533 graduate students. Approximately 89 percent of CSU's student enrollment for the spring 2012 semester was classified as in-state and 11 percent was out-of-state. CSU's budget is funded by unrestricted revenues, such as tuition and fees and a State general fund appropriation, and restricted revenues, such as federal grants and contracts. According to the State's accounting records, CSU's revenues for fiscal year 2012 totaled approximately \$104 million, including a State general fund appropriation of approximately \$37.9 million.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the 14 findings contained in our preceding audit report dated June 28, 2010. We determined that CSU satisfactorily addressed 8 of the findings. The remaining 6 findings are repeated in this report. These 6 repeated findings appear as 5 findings in this report.

Findings and Recommendations

Student Accounts Receivable

Finding 1

Coppin State University (CSU) did not always take appropriate and timely action to collect outstanding student account balances, and did not ensure that students with unpaid balances were prohibited from registering for classes.

Analysis

CSU did not establish proper controls over the referral of delinquent accounts to the State's Central Collections Unit (CCU). Additionally, CSU did not ensure automated system holds that prevented students with unpaid balances from registering for classes were properly utilized. Consequently, delinquent accounts were not referred in a timely manner and students with unpaid balances from prior semesters were allowed to register for classes.

One employee was responsible for writing off delinquent accounts from the student accounts receivable system and submitting these accounts to CCU, without an independent review. In addition, this employee and four others could remove system holds. There was no independent supervisory review to ensure that holds were removed from student accounts only when students had paid their balances in full or were under an installment payment plan.

Our tests disclosed that CSU did not take appropriate action to collect outstanding student account balances, nor ensure that system holds were used when appropriate. Our test of 10 delinquent student accounts, which totaled approximately \$137,000, disclosed the following conditions:

- CSU did not always transfer delinquent student accounts to CCU in a timely manner as required. Specifically, for 7 students, outstanding student account balances totaling \$66,000 had not been transferred to CCU within the required timeframes. This included 3 student accounts with balances totaling \$28,000 that were not transferred to CCU by March 2012 even though the accounts were delinquent for periods ranging from 6 months to 19 months beyond the time the accounts should have been transferred based on CCU regulations. Although CSU had transferred the other 4 student accounts totaling \$38,000, the accounts were transferred from 6 months to 31 months late.

- Nine students were permitted to register for classes, in violation of CSU policy, even though they had outstanding student account balances from one or more prior semesters. There was no evidence that installment payment plans had been established that would justify decisions allowing these students to register with unpaid balances. This condition indicates that system holds either had not been properly placed on the students' accounts or had been removed. For example, six students were allowed to register for at least three subsequent semesters despite having unpaid tuition and fees. According to CSU's records, 500 of the 3,534 students registered for the spring 2012 semester had outstanding balances totaling approximately \$1.1 million from previous semesters. The extent to which installment payment plans had been established for these students was not readily determinable.

Furthermore, CSU did not have formal written procedures regarding installment payment plans as required by USM policy, which may have contributed to the delays in CCU submissions as well as allowed students with unpaid balances to register for classes. We noted that CSU postponed the transfer of certain accounts to CCU (past the required transfer date) based on conditions which provided students with additional time to make payments on their outstanding account balances. For example, CSU established a payment plan for one student (included in the aforementioned test of ten delinquent student accounts) during August 2011; however, as of that date, the student owed amounts for prior semesters dating back to Fall 2008, which were not covered by payment plans and consequently should have been submitted to CCU by May 2009.

According to CSU's records, the aggregate balance of the student accounts receivable totaled approximately \$3 million as of March 31, 2012, of which \$2.3 million was outstanding for over 120 days. During fiscal years 2010 through 2012, delinquent accounts totaling \$7.5 million were written off.

The USM Board of Regents' *Policy on Payment of Tuition and Fees* states that tuition and fees are due and payable in full by the due date, unless the student is covered by a specified exemption (such as an installment payment plan). The *Policy* further requires that appropriate administrative action (such as barring class attendance) be initiated if timely payment is not received. The USM *Policy* also requires each institution to provide written procedures, which must be approved by the president of the institution, for installment payment plans to extend the tuition and fee due dates. CCU regulations, as amended for CSU, require that each semester's delinquent accounts be transferred to CCU at the end of the late registration period for the subsequent semester. Similar conditions regarding the failure to pursue delinquent accounts and allowing students with delinquent balances to register for classes were commented upon in our preceding audit report.

Recommendation 1

We recommend that CSU

- a. establish procedures requiring independent reviews to ensure the propriety of student accounts written-off from the accounts receivable record, referrals to CCU, and system holds removed from delinquent accounts;**
- b. transfer all delinquent accounts to CCU on a timely basis, as required (repeat);**
- c. not permit students with outstanding account balances to register for subsequent semesters unless the student qualifies for an exemption as specified in the Board's *Policy* (repeat); and**
- d. develop written procedures for installment payment plans for tuition and fees and ensure that these procedures are properly approved as required.**

Finding 2

CSU lacked controls to ensure the propriety of non-cash credit adjustments, student refunds, and tuition waivers.

Analysis

CSU lacked controls to ensure the propriety of non-cash credit adjustments, student refunds, and tuition waivers recorded in the student accounts receivable system. Specifically, we noted the following conditions:

- Five employees had automated system capabilities that would allow them to record adjustments to student accounts, such as non-cash credits (including tuition waivers), as well as to process refunds. Consequently, these individuals could improperly record transactions to create an overpaid account balance and then process a refund check for that amount. A similar condition was commented upon in our preceding audit report. One of these employees could also change the student names and addresses in the automated system to direct refund mailings, and this employee, along with one other of the aforementioned five employees, had access to cash receipts. According to CSU records, students refunds processed during fiscal year 2012 totaled approximately \$9.8 million.
- The monthly output report of non-cash credits, used to identify transactions for supervisory review, did not include all such credit adjustments. Our review of three non-cash credit adjustments totaling \$7,146 disclosed two non-cash credit adjustments totaling \$4,686 that were omitted from the output reports. As a result, these credit adjustments were not subject to the supervisory review process. Based on our review of the supporting documentation, these two non-cash credits appeared proper. While our review

disclosed that the non-cash credit output reports were not complete, these reports did identify at least \$2.8 million in non-cash credit adjustments that were processed during the period from July 1, 2009 to March 26, 2012.

- One employee was solely responsible for determining student tuition waiver eligibility based on supporting documentation, such as employee personnel records. The waivers were subsequently credited to the student accounts receivable system without supervisory review and approval to ensure only eligible students were granted waivers. CSU grants various tuition waivers, such as waivers to members of the Maryland National Guard, senior citizens, and tuition remission for CSU employees and their spouses and dependents. A similar condition was commented upon in our preceding audit report. According to CSU's records, tuition waivers totaling \$528,000 were granted during the period from July 1, 2011 to June 13, 2012.

Recommendation 2

We recommend that CSU

- a. eliminate capabilities that allow employees to perform the incompatible duties of recording student account adjustments and processing student refunds (repeat),**
- b. ensure the report of non-cash credits used for verification purposes includes all such credit adjustments,**
- c. ensure that employees with the capability to process non-cash credit adjustments do not have access to cash receipts, and**
- d. ensure that a supervisor verifies that all tuition waivers are proper prior to recordation in the student accounts receivable records (repeat).**

We advised CSU on accomplishing the necessary separation of duties using existing personnel.

Finding 3

CSU lacked controls to ensure the propriety of third-party billings and receipts related to student accounts.

Analysis

Third-party billings and receipts related to unpaid student accounts were not adequately controlled. During fiscal year 2012, CSU issued third-party billings (such as to private organizations awarding scholarships) for student accounts totaling approximately \$1.2 million. Specifically, we noted the following conditions:

- The detail records of amounts due from third parties were maintained by an employee who also prepared the billings and had access to the related collections. Furthermore, the employee could record third-party payments to student accounts and the recordation of the payments was not adequately reviewed for propriety by an independent employee. Specifically, CSU did not use an output report of payments posted to the student accounts receivable system to ensure that the payments were supported by receipts deposited to a CSU account. As a result, this aforementioned employee had excessive control over these accounts and related payments could be misappropriated. A similar condition regarding the segregation of third-party billing responsibilities was commented upon in our two preceding audit reports.
- CSU did not maintain an independent control account from the original billings and receipts. Instead, CSU used a summary report generated from the third-party billing detail records as the control account. A similar condition was commented upon in our two preceding audit reports.

Recommendation 3

We recommend that

- a. the responsibility for billing third parties be assigned to an employee who does not have access to the related collections or maintain the related detail records (repeat),**
- b. a report of all third-party payments recorded in the student accounts system be reviewed by an independent employee to ensure all payments were properly supported, and**
- c. an independent control account for third-party accounts receivable be maintained by an employee who does not handle the related billings (repeat).**

We advised CSU on accomplishing the necessary separation of duties using existing personnel.

Student Financial Aid

Finding 4

Internal controls over electronic wire transfers for Federal Direct Loans were not sufficient.

Analysis

CSU did not establish sufficient controls to ensure that Federal Direct Loan reimbursements received in response to requests for wire transfers submitted to the United States Department of Education (USDOE) were credited to the bank

account authorized by the State Treasurer's Office. Specifically, from January 2012 to September 2012 (when we brought the situation to CSU's attention), the employee identified by CSU to USDOE as being authorized to change the account designated for fund reimbursement was also authorized to request related fund transfers. Furthermore, reimbursement requests submitted were not reviewed and approved by independent supervisory personnel. Consequently, funds could be transferred to unauthorized bank accounts and such transfers might not be detected timely.

CSU obtains federal funds from USDOE for certain direct loans that it distributes to students. According to CSU records, from January 2012 through June 2012, wire transfers for direct student loans totaled approximately \$8.5 million.

Recommendation 4

We recommend that CSU

- a. ensure a proper separation of duties exists between the CSU employees who are authorized to submit requests for federal financial aid reimbursements and the CSU employees that are authorized to specify bank accounts to which transfers should be made, and**
- b. ensure all requests for electronic fund transfers and bank accounts related to federal student financial aid are reviewed and approved by independent supervisory personnel.**

Finding 5

CSU had not established proper controls over financial aid awards posted to student accounts.

Analysis

Sufficient internal controls had not been established to ensure the propriety of financial aid awards posted to student accounts. According to CSU records, during fiscal year 2012, financial aid awarded to students, including grants and scholarships, totaled approximately \$30.2 million. Our review disclosed the following conditions:

- Financial aid awards posted to student accounts were not independently verified for propriety. Specifically, CSU's system calculates award amounts and generates recommended financial aid award packages for students based on various eligibility criteria. Unless adjusted by CSU employees based on individual student situations, these recommended amounts are finalized and offered to the students. Our review disclosed that adjustments to the system calculated financial aid award amounts were not subject to supervisory review and approval to ensure propriety of the award based on the underlying

circumstances. For example, students that drop classes may no longer be eligible for the original award amount due to a change in the student's cost of attendance.

- Four employees had system capabilities that allowed them to initiate the recordation of financial aid to student accounts, as well as release (disburse) the aid with no further system approval requirements.
- CSU did not review verifications of students' financial data to ensure accuracy and completeness. USDOE requires CSU to verify financial data submitted by selected students. CSU's financial aid counselors are responsible for reviewing documentation received from selected students and verifying that the financial data was accurately reported; however, there was no supervisory review to ensure these federally required verifications were performed for all required students.

Recommendation 5

We recommend that CSU

- a. establish procedures to ensure that financial aid award adjustments are reviewed and approved by supervisory personnel based on a review of supporting documentation,**
- b. eliminate incompatible user capabilities so that the same individual cannot initiate the recordation of financial aid and release (disburse) the aid, and**
- c. establish procedures for supervisory personnel to ensure that required student financial data verifications were conducted and financial data reported by students were adequately supported.**

Contract Monitoring

Finding 6

CSU reduced the required commission payments from its food service vendor without adequate support and did not ensure the completion of required capital improvements.

Analysis

CSU reduced commission payments required from its food service vendor without adequate support and did not require the vendor to provide capital improvements in accordance with contract terms. Specifically, we noted the following conditions:

- CSU modified its contract to decrease the commission payments due from its food service vendor based on the vendor's assertion that it had incurred financial losses. Specifically, CSU and the vendor signed an agreement dated January 2, 2012 that decreased the amount of the commission to be paid by the vendor during calendar year 2012 by \$100,000. However, CSU did not obtain supporting documentation, for example, audited financial statements, and investigate the reasons for the purported losses. Furthermore, the contract terms state that commission payments due from the vendor was to be based on a percentage of the vendor's revenues, not on the vendor's profit or loss.

CSU awarded the food service management contract for a three-year period beginning July 15, 2010 and ending July 14, 2013 with two one-year renewal options. The contract required the vendor to pay a commission to CSU equaling the greater of 19 percent of sales revenue (primarily retail sales and meal plans) or a minimum fixed amount for each fiscal year. Due to the modification, the vendor remitted commissions to CSU totaling approximately \$469,000 for fiscal year 2012, instead of \$515,000 based on the original contract terms (representing 19 percent of sales).

- CSU did not require the vendor to make capital improvements (such as dining area improvements) in the amount stated in the contract. According to a schedule prepared by the vendor, the vendor made capital expenditures of only \$120,000 for the first year of the contract, which was \$170,000 less than required. The contract requires the vendor to pay for capital improvements to food service facilities totaling \$387,000 during the contract term, including approximately \$290,000 during the first fiscal year of the contract.

Recommendation 6

We recommend that CSU

- ensure adequate support is obtained to justify future contract modifications that reduce payments due from contractors, and**
- ensure the vendor makes capital improvements as required by the contract.**

Finding 7

CSU did not adequately monitor certain contractors to ensure compliance with the contract terms.

Analysis

CSU did not always adequately monitor its contractors. For example, our review disclosed the following conditions regarding two separate contracts:

- CSU did not verify sales reports, which were used to calculate monthly commission payments payable by the operator of its bookstore. In this regard, the vendor generally paid a 9.5 percent commission to CSU based on total store (gross) sales. However, CSU did not verify reported sales, for example, by utilizing audited financial statements, or obtaining cash register reports to ensure that the vendor had remitted the appropriate amount of sales commissions.

CSU contracted with a vendor to operate its campus bookstore for the term September 24, 2010 through September 23, 2015. The contract requires the vendor to pay commissions to CSU totaling 9.5 percent of annual gross sales up to \$2 million and 11 percent of gross sales over \$2 million. The vendor reported sales during calendar year 2011 totaling \$1.9 million, and paid commissions totaling approximately \$181,000.

- CSU contracted with a vendor to assist in the acquisition of additional land in order to expand the campus. For example, this vendor obtained documentation related to property owner and renter relocations and paid individuals and businesses for relocation costs as allowed by CSU. Our test of five property acquisitions with relocation costs totaling \$541,000 revealed that CSU did not obtain sufficient documentation (such as rental agreements) from the vendor to verify the propriety of costs totaling \$210,000 related to two of these acquisitions. We also noted that CSU did not obtain the necessary documentation (such as, cancelled checks) to independently verify that the vendor payments were made to the proper payees.

According to CSU records, payments for the acquisition of properties and related relocation costs totaled approximately \$14.7 million during the period July 1, 2009 through April 30, 2012 for the site of a new science and technology building.

Recommendation 7

We recommend that CSU establish procedures to ensure vendors comply with contractual terms. Specifically we recommend that CSU

- verify reported gross sales from its bookstore contractor; and**
- obtain documentation from vendors making payments on its behalf and verify the propriety of those payments, including substantiating that funds were disbursed to the authorized payees for valid costs.**

Equipment

Finding 8

CSU did not establish adequate procedures to account for and control its equipment inventory.

Analysis

CSU did not establish adequate procedures to account for and control its equipment inventory in accordance with USM and CSU policies. According to CSU's records, equipment totaled approximately \$16.2 million as of December 31, 2011. Specifically, our review disclosed the following conditions:

- An equipment control account was not maintained, as required. A control account is a continuous summary of transactions and serves as a total dollar value control over amounts included in the detail records.
- CSU did not always record equipment purchases in the related detail records. Our test of 20 sensitive computer-related items (including tablets and laptop computers) totaling approximately \$38,000 purchased during our audit period disclosed that none of the items were recorded in the detail records as of October 2012. We also noted that detail records for CSU's Information Technology Division, which included 1,663 equipment items, lacked acquisition costs for all items.
- During our inspection of the Physical Education Complex, we noted that equipment, including sporting and audio-visual items, was not always tagged as State property nor capitalized in CSU's detailed equipment records. We were advised by CSU management that these procedures were not performed because the items were purchased with State capital funds under the oversight of the Maryland Stadium Authority (MSA). Nevertheless, the equipment is in the custody of CSU and should be accounted for. Subsequently, CSU provided us with a list of expenditures totaling approximately \$8.5 million that CSU claimed were equipment items in the Complex. Although our review confirmed the existence of numerous equipment items on the list, the list lacked specificity (for example, identification of individual pieces of equipment) and also included certain MSA expenditures that appeared to be building components.
- CSU had not conducted physical inventories of equipment as required. As of October 2012, CSU had not conducted a physical inventory of all sensitive and non-sensitive equipment during our audit period, and was not able to determine when the last inventory was taken.

USM's *Policy for Capitalization and Inventory Control* sets guidelines for the minimal level of control for equipment and requires institutions to establish a set of formal written policies. CSU's policy requires that inventory be tagged and records maintained for sensitive equipment items with a cost of \$300 or more, all computers, and other equipment with a value over \$5,000. The policy also requires that complete physical inventories are to be performed and reconciled to the related records at least biennially.

Recommendation 8

We recommend that CSU

- a. establish a control account and periodically reconcile the account to the detail records;**
- b. ensure all equipment purchases are recorded in the detail records in accordance with CSU policy; and**
- c. perform documented periodic physical inventories of equipment items, reconcile results to the related detail records, and investigate any missing or unaccounted for items.**

Cash Receipts

Finding 9

CSU had not established controls to safeguard certain collections.

Analysis

CSU had not established adequate controls over collections received at the Bursar's Office. According to CSU records, during fiscal year 2012, the Office's collections totaled approximately \$6.4 million, of which approximately \$1.2 million was received in the mail. Our review disclosed the following conditions:

- One employee had the ability to process voids on the cash register system and had access to the collections. According to CSU records, 87 void transactions totaling \$45,000 were processed during the period July 1, 2011 through February 13, 2012. In addition, this employee was responsible for reviewing cashier close-out reports, which included voids, and reconciling those reports to the related cash collections. As a result, of these conditions, cash receipts could be misappropriated without detection.
- Deposit verifications for collections received in the mail were not performed. An employee received checks in the mail, recorded them on a log, and forwarded the checks to other CSU employees for processing and deposit. CSU did not perform a deposit verification to ensure that all checks received

and recorded on the mail logs were deposited intact and timely. A similar condition was commented upon in our preceding audit report.

The Comptroller of Maryland's *Accounting Procedures Manual* requires State agencies to segregate cash handling duties from cash receipts accounting functions. The *Manual* also requires recorded receipts be verified to deposit records by an employee independent of the cash receipts functions.

Recommendation 9

We recommend that CSU

- a. ensure that employees having access to cash receipts not have the ability to void transactions, and**
- b. ensure that all recorded mail collections are verified to validated deposit records by an employee independent of the cash receipts functions (repeat).**

We advised CSU on accomplishing the necessary separation of duties using existing personnel.

Information Systems Security and Control

Background

CSU's Information Technology Division provides information systems support to CSU through the operation and maintenance of campus-wide administrative applications, such as the student administration/human resources and the financials systems. The Division also operates an integrated administrative and academic computer network, which provides connections to multiple servers used for administrative applications and related databases. The campus network also includes separate file servers, Internet connectivity, and firewalls. In addition, CSU connects to the Maryland Research and Education Network to send and receive data to and from other USM institutions.

Finding 10

CSU did not ensure that user access to perform certain critical system functions was appropriate.

Analysis

CSU did not ensure that adequate system controls existed over recordation of student account and purchasing transactions. Our review of system access for 240 active users disclosed that some system users were assigned unnecessary or inappropriate capabilities. Specifically, we noted the following conditions:

- Certain users were assigned access capabilities that allowed them to perform functions that were not necessary to perform their job duties. Three employees could modify student accounts (such as recording payments) and two employees could remove student account holds although not required to do so for their job duties. Additionally, two employees were granted the unnecessary capability to change student residency status. Similar conditions regarding unnecessary access granted to users were noted in our preceding audit report.
- Eight users had access that allowed them to both initiate and approve purchasing and/or disbursement transactions without further approval. Similar conditions (access granted to users that enabled them to perform incompatible functions) were noted in our preceding audit report.

In order to monitor system access, CSU periodically generated computer system security reports of capabilities assigned to users that enable those employees to perform critical functions on its automated system. However, CSU did not adequately use these reports to identify and correct instances of improper access. As a result, CSU lacked assurance regarding the propriety of student account related transactions such as residency status, as well as of purchasing and disbursement transactions.

Recommendation 10

We recommend that CSU

- assign user access capabilities only to those employees who require such capabilities to perform their job duties and immediately remove the aforementioned incompatible and unnecessary access capabilities (repeat), and**
- periodically review the aforementioned security reports of user capabilities and correct noted instances of improper access (repeat).**

Finding 11

Controls over a critical application's accounts, database monitoring, and passwords need to be strengthened.

Analysis

Controls over a critical application's accounts, database monitoring, and passwords need to be strengthened. Specifically, we noted the following conditions:

- We were advised that 10 unused active accounts, assigned to 10 users, for a critical application were no longer needed. Of these 10 accounts, 3 had never

been used to log onto the application. At the time of our review, inactivity periods for the remaining 7 accounts ranged from 380 to 989 days.

- Our test of 10 logged security events related to a critical database disclosed that none of these events were compared to supporting documentation to confirm that the events were authorized and proper. While CSU generated and reviewed logs of security (grant/revoke/deny) and audit (stop audit) related activity of this database, these reviews were only cursory.
- Security settings did not enforce password length or complexity requirements for eight system accounts on a critical database.

USM *Guidelines in Response to the State IT Security Policy* require member institutions to implement and document processes for verifying employees' access privileges at least annually. Additionally, the *Policy* specifies that member institutions must maintain appropriate audit trails of events and actions related to critical data and that these significant events and actions must be reviewed and documented. Finally, the *Policy* requires that passwords contain a minimum of eight characters and meet specific complexity requirements.

Recommendation 11

We recommend CSU

- a. implement and document a process for periodically identifying and eliminating inactive accounts;**
- b. compare security and audit related activity logs to supporting documentation to ensure the activities were authorized and proper, and document and retain these reviews for future reference; and**
- c. implement password controls over the database accounts in accordance with the aforementioned *Policy*.**

Payroll

Finding 12

CSU made salary payments to an individual using methods that circumvented processes designed to enforce the earnings limitations for State retirees.

Analysis

CSU made salary payments to an individual using methods that circumvented processes designed to enforce the earnings limitations for retirees established by State law. After retiring from CSU in July 2007, this individual was hired in October 2007 and was being paid as a contractual employee through the Central

Payroll Bureau (CPB). Because the amounts paid exceeded the earnings limitation for this individual, the State Retirement Agency (SRA) advised us that it recovered the excess payments in fiscal years 2008 and 2009. In November 2009, based on the individual's request, CSU changed the method of payment of the individual's salary to disbursement transmittals and corporate purchase cards (CPC), which effectively prevented SRA from identifying and recouping salary payments to the individual that exceeded the earnings limit. During calendar years 2008 through 2011, salary payments to the aforementioned individual exceeded the earnings limit by \$68,500 of which \$37,000 had not been recouped by SRA. At the time of our review, the employee's salary had not exceeded the earnings limit for calendar 2012, and we were advised that the employee's employment contract was renewed through June 2013.

The individual's contract gave CSU the right to control and direct the details, means, and results of the performance of the services provided by the former employee. The individual performed the same duties as prior to retirement, and an employee-employer relationship existed. Therefore, payments to this individual should have been made using the contractual employee payroll process through CPB.

State law requires a reduction of retirement benefits for individuals that work for the State after retirement. In general, the amount of retirement allowance must be reduced if the sum of the individual's earnings and the retirement allowance exceed the individual's average final compensation. This limitation applies for five full calendar years after the date the individual retires. State law further requires State agencies to provide SRA with earnings data for all State retirees that were rehired. Consequently, paying this individual using a CPC or the disbursement transmittal process did not eliminate CSU's obligation to inform and report earnings data to SRA.

Recommendation 12

We recommend that CSU

- a. use the appropriate payment methodology for contractual employees, and**
- b. notify SRA of all past payments made to the aforementioned individual.**

Audit Scope, Objectives, and Methodology

We have audited the University System of Maryland (USM) – Coppin State University (CSU) for the period beginning July 1, 2009 and ending March 26, 2012. The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine CSU's financial transactions, records and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations. We also determined the status of the findings contained in our preceding audit report.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of materiality and risk. The areas addressed by the audit included student accounts receivable, cash receipts, procurements and disbursements, information systems, payroll, and equipment. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of CSU's operations. We also tested transactions and performed other auditing procedures that we considered necessary to achieve our objectives. Data provided in this report for background or informational purposes were deemed reasonable, but were not independently verified.

Our audit did not include certain support services (such as endowment accounting and bond financing) provided to CSU by the USM Office. These support services are included within the scope of our audit of the USM Office. In addition, our audit did not include an evaluation of internal controls for federal financial assistance programs and an assessment of CSU's compliance with federal laws and regulations pertaining to those programs because the State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies, including CSU.

CSU's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets, and compliance with applicable laws, rules, and regulations are achieved.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate. Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

This report includes findings relating to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect CSU's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our report also includes findings regarding significant instances of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to CSU that did not warrant inclusion in this report.

The response to our findings and recommendations from the USM Office, on behalf of CSU, is included as an appendix to this report. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise the USM Office regarding the results of our review of its response.

APPENDIX



OFFICE OF THE CHANCELLOR

November 15, 2013

Mr. Thomas J. Barnickel III, CPA
Legislative Auditor
Office of Legislative Audits
State Office Building, Room 1202
301 West Preston Street
Baltimore, MD 21201

Re: University System of Maryland –
Coppin State University
Period of Audit: July 1, 2009 through
March 26, 2012

Dear Mr. Barnickel:

I have enclosed the University System of Maryland's responses to your draft report covering the examination of the accounts and records of Coppin State University. Our comments refer to the individual items in the report.

Sincerely yours,

A handwritten signature in black ink, appearing to read "WE Kirwan".

William E. Kirwan
Chancellor

Enclosures

cc: Dr. Mortimer Neufville, CSU
Mr. James L. Shea, Chair, Board of Regents
Mr. Anwer Hasan, Chairman, MHEC
Dr. Danette Howard, Secretary of Higher Education, MHEC
Mr. Robert Page, Associate Vice Chancellor for Finance, USM Office
Mr. David Mosca, Director of Internal Audit, USM Office

1807
University of Maryland,
Baltimore

1856
University of Maryland,
College Park

1865
Bowie State University

1866
Towson University

1886
University of Maryland
Eastern Shore

1898
Frostburg State University

1900
Coppin State University

1925
Salisbury University

1925
University of Baltimore

1925
University of Maryland
Center for Environmental
Science

1947
University of Maryland
University College

1966
University of Maryland,
Baltimore County

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Student Accounts Receivable

Finding 1

Coppin State University (CSU) did not always take appropriate and timely action to collect outstanding student account balances, and did not ensure that students with unpaid balances were prohibited from registering for classes.

Recommendation 1

We recommend that CSU

- a. establish procedures requiring independent reviews to ensure the propriety of student accounts written-off from the accounts receivable record, referrals to CCU, and system holds removed from delinquent accounts;**
- b. transfer all delinquent accounts to CCU on a timely basis, as required (repeat);**
- c. not permit students with outstanding account balances to register for subsequent semesters unless the student qualifies for an exemption as specified in the Board's *Policy* (repeat); and**
- d. develop written procedures for installment payment plans for tuition and fees and ensure that these procedures are properly approved as required.**

University response

The University agrees with this recommendation.

- a. We understand the risk these conditions pose to satisfying both statutory requirements as well as minimum internal control considerations over adjustments and transactions involving delinquent accounts such as write-offs, referrals to the state Central Collection Unit, or the removal of system holds, and have established the following procedures:

With the assistance of our IT department a query report was created that now allows for review of accounts sent to CCU and any accounts adjusted. A review of the accounts is performed by the Bursar. Once an outstanding account has been identified, a special hold indicator is placed to ensure that the account is prepared for collections. The Bursar is the authorized staff member with access to release this hold. The Controller performs the independent review monthly.

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- b. The following procedures have been implemented. Delinquent student accounts are transferred to CCU according to state regulations, as amended for CSU, that each semester's delinquent accounts be transferred to CCU at the end of the late registration period for the subsequent semester. The monthly aging report is reviewed and updated to capture delinquent accounts at least 120 days past due. The collection specialist utilizes this report to complete the collection's process. In addition, a query report is generated to identify any delinquent accounts from prior terms that may not be captured on the aging report.

The Bursar is currently working with the IT department to implement the collection's process in PeopleSoft. This is an automated process that will assist to capture delinquent accounts and to enhance the collection's process. Completion is expected in Spring 2014.

- c. We understand the importance and risk to the University of not complying with USM policy on delinquent tuition. The issues identified here have been corrected and all policies regarding delinquent tuition accounts are being followed to include restricting students from registering for classes with delinquent accounts unless an approved installment arrangement is in place.
- d. Written procedures governing installment payment plans were revised and implemented in Fall 2012.

Finding 2

CSU lacked controls to ensure the propriety of non-cash credit adjustments, student refunds, and tuition waivers.

Recommendation 2

We recommend that CSU

- a. eliminate capabilities that allow employees to perform the incompatible duties of recording student account adjustments and processing student refunds (repeat),**
- b. ensure the report of non-cash credits used for verification purposes includes all such credit adjustments,**
- c. ensure that employees with the capability to process non-cash credit adjustments do not have access to cash receipts, and**

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- d. ensure that a supervisor verifies that all tuition waivers are proper prior to recordation in the student accounts receivable records (repeat).

We advised CSU on accomplishing the necessary separation of duties using existing personnel.

University response

The University agrees with this recommendation.

The following changes have been implemented:

- a. Currently the Bursar's access and role has been revised to eliminate the capabilities to adjust accounts and to process refunds. Only the Student Accounts Specialists perform the roles for adjustments and refunds for processing. The Bursar's role is to review all account adjustments and the refund process. The number of staff role capabilities has been reduced to the 2 student account specialist with supervisory review performed on both functions to mitigate risk. We are presently working to put the separation controls in place to address this recommendation with an implementation timeline of Spring 2014.
- b. We agree that the report may not be capturing all information and have determined it to be the lack of consistency in selecting the reason code in the process. The reason code has been identified as the most accurate filter to run the report on. We are currently working with our IT department to determine whether a flag can be established in the process of posting non-cash credits that mandates a reason code be entered before completing the process. This will assure that all information is captured on the report.
- c. Once identified corrections were immediately implemented and no staff person with access to process non-cash credit adjustments has access to functions relating to cash receipts. The Student Account Specialists are the only staff members with access to post to an account. The cashier staff members only have access to cash receipts.
- d. Pursuant to a previous audit finding, the tuition remission processing policy and procedures were amended to include a 3rd party independent analysis of remitted vs. paid waivers. This change was intended to prevent ineligible persons from being approved for tuition waivers by either of the processing entities (i.e. Bursar, HR). We accept this note as a recommendation on how to enhance our audit of tuition remission processing and further minimize potential risk of fraud. Two additional

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steps will be added to the process; (1) the Bursar will add an additional verification of remission amounts posted to student accounts and (2) the originating office (HR) will agree the original list to the source documentation at the end of this process.

Finding 3

CSU lacked controls to ensure the propriety of third-party billings and receipts related to student accounts.

Recommendation 3

We recommend that

- a. the responsibility for billing third parties be assigned to an employee who does not have access to the related collections or maintain the related detail records (repeat),**
- b. a report of all third-party payments recorded in the student accounts system be reviewed by an independent employee to ensure all payments were properly supported, and**
- c. an independent control account for third-party accounts receivable be maintained by an employee who does not handle the related billings (repeat).**

We advised CSU on accomplishing the necessary separation of duties using existing personnel.

University response

The University agrees with this recommendation in part. Please note that to establish a separate control account for 3rd party receivables on student accounts would require providing non-cash adjustments on student accounts giving students false information on their account status (appear to be paid) and therefore it is believed this would increase the control risk associated with collection and tracking of 3rd party payments on student account receivables. Student account 3rd party receivables are tracked in the student account receivable control account using the method implemented in response b. Additionally the Account Specialist provides a report of all outstanding vendor 3rd party invoices at months-end to the Assistant Controller for posting to a 3rd party vendor receivable control account in the general ledger. This account is part of the accounting department's monthly reconciliation process.

- a. Corrections have been implemented. The responsibility for 3rd party billing is no longer handled by the cashier supervisor and is now being

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handled by a Student Account Specialist who does not have access to collection or maintain related detail records.

- b. The University has taken the following corrective actions to mitigate risk over 3rd party receivable payments related to student accounts receivable. When the Account Specialist generates the pre-numbered invoice for 3rd party student receivables she will place a date sensitive indicator (flag) on that student's account. This will provide the ability to generate a report specific to student accounts with outstanding 3rd party receivables. This report will assist with tracking the payments and aging of the 3rd party student receivables and provides additional detail support to the accounting department in the monthly reconciliation of the tuition receivable control account. The Assistant Controller will be the independent reviewer of this report.
- c. Corrective action has been implemented as follows:

Procedures were established to capture all 3rd party billing through an official pre-numbered invoice process. The Account Specialist is responsible for University 3rd party billing. Pre-numbered invoices are used for student account 3rd party billing and also distributed to departments. Pre-numbered invoices are tracked by the cashier supervisor. Departments issued invoices are required to return a copy of the invoice to the cashier as used allowing for ability to capture all 3rd party receivable payments. Departments must reconcile all invoice numbers issued with the cashiering office.

Student Financial Aid

Finding 4

Internal controls over electronic wire transfers for Federal Direct Loans were not sufficient.

Recommendation 4

We recommend that CSU

- a. **ensure a proper separation of duties exists between the CSU employees who are authorized to submit requests for federal financial aid reimbursements and the CSU employees that are authorized to specify bank accounts to which transfers should be made, and**

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- b. ensure all requests for electronic fund transfers and bank accounts related to federal student financial aid are reviewed and approved by independent supervisory personnel.**

University response

The University agrees with this recommendation.

- a. To ensure proper separation of duties the Assistant Controller and Associate Controller are designated as the authorized persons to submit requests for federal financial aid reimbursements. The VPAF and Controller are the authorized persons to change bank accounts. Management prepared and forwarded written correspondence to the Department of Education specifying the individuals of the University who have the authority to submit requests for federal financial aid reimbursements. Written correspondence was submitted to The US Department of Education (dated November 12, 2010) that specified the individuals who have the authority to submit request for federal financial aid reimbursements, and the individuals who have the authority to change bank accounts for the University. Since that time period correspondence has been submitted to the US Department of Education updating authorizations as personnel changes have occurred.
- b. The University Controller currently performs the independent supervisory review and approval of requests for electronic fund transfers and bank accounts related to federal financial aid reimbursements.

Finding 5

CSU had not established proper controls over financial aid awards posted to student accounts.

Recommendation 5

We recommend that CSU

- a. establish procedures to ensure that financial aid award adjustments are reviewed and approved by supervisory personnel based on a review of supporting documentation,
- b. eliminate incompatible user capabilities so that the same individual cannot initiate the recordation of financial aid and release (disburse) the aid, and

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- c. **establish procedures for supervisory personnel to ensure that required student financial data verifications were conducted and financial data reported by students were adequately supported.**

University response

The University agrees with this recommendation.

- a. The Financial Aid Office (FAO) Policies and Procedures Manual is currently being updated to address the concerns in this recommendation. The manual will outline procedures to ensure that financial aid award adjustments are reviewed and approved by supervisory personnel based on a review of supporting documentation. Completion of this recommended action plan is scheduled for January 1, 2014.
- b. The Financial Aid Office has made the following corrective action to eliminate incompatible user capabilities so that the same individual cannot initiate the recordation of financial aid and release (disburse) the aid. Financial aid Specialist cannot currently award and disburse aid to students. As an added security measure, each role will have limited functions in order to avoid overlapping duties and responsibilities as required by federal regulations. Completion of this recommended action plan is scheduled for January 1, 2014.
- c. The University is currently reviewing the organizational structure of the Financial Aid office. This review of the organizational structure, procedures and responsibilities assignments for supervisory personnel will ensure that required student financial data verifications are conducted and financial data reported by students are adequately supported. Completion of this recommended action plan is scheduled for January 1, 2014.

Contract Monitoring

Finding 6

CSU reduced the required commission payments from its food service vendor without adequate support and did not ensure the completion of required capital improvements.

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Recommendation 6

We recommend that CSU

- a. ensure adequate support is obtained to justify future contract modifications that reduce payments due from contractors, and**
- b. ensure the vendor makes capital improvements as required by the contract.**

University response

The University agrees with this recommendation.

- a. The University will obtain the proper supporting documentation to justify any contract modifications. As recommended we will review audited financial statements more closely and further investigate losses as verified from our review of the financial statements.
- b. The University will require that all future capital expenditures occur as agreed to in the terms of the contract. In addition, the University will obtain documentation from vendors to verify amounts spent for any renovations or fixtures obtained.

Finding 7

CSU did not adequately monitor certain contractors to ensure compliance with the contract terms.

Recommendation 7

We recommend that CSU establish procedures to ensure vendors comply with contractual terms. Specifically we recommend that CSU

- a. verify reported gross sales from its bookstore contractor; and**
- b. obtain documentation from vendors making payments on its behalf and verify the propriety of those payments, including substantiating that funds were disbursed to the authorized payees for valid costs.**

University response

The University agrees with this recommendation.

- a. The University is working with USM and several USM schools to resolve this problem with the bookstore vendor. The current vendor's reports do not allow verification of sales. The University of Baltimore and University

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of Maryland Baltimore use the same vendor and have not been able to verify gross sales for their campuses. Auxiliary Service representatives from all three schools met in January 2013 with USM to discuss this matter. We reached the conclusion that we should pursue a solution collectively. We are awaiting action from the USM Representatives.

- b. Due to the sheer volume of transactions related to 120 separate properties, CSU contracted with the Vendor to provide relocation services to the displaced residents and businesses in the project area for the new Science & Technology Center (STC). The Vendor was responsible for ensuring compliance with Federal and State guidelines over relocation and was responsible for documentation related to owner and tenant relocation. Advice regarding allowable acquisition cost and eminent domain laws were provided to CSU by the AG's office not the Vendor. The University received appraisals directly from (2) independent appraisers for each property purchased as required by the Board of Public Works and by the USM. The Vendor did not take part in the procurement of appraisals. Documentation related to the acquisition effort was maintained and reviewed via claim documents and detailed reports which were, regularly submitted to the University by the Vendor. These reports identified all individuals that were relocated by their address and the amount of funds for their relocation (which was approved by the BPW) and a record of all disbursements, including check #s issued by the Vendor. All undistributed relocation funds were refunded to the University.

We have taken the following corrective action:

The University determined that bank statements that demonstrate that the accuracy of each transaction is acceptable in lieu of cancelled checks; and we are working to provide those statements. We are confident that, as noted during the audit testing, the correct amounts were paid; and we wish to provide all confirming documentation.

The University is in process of closing out the property acquisition project. We are working with our consultant to collect bank statements and /or cancelled checks for relocation transactions made over the past four years.

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Equipment

Finding 8

CSU did not establish adequate procedures to account for and control its equipment inventory.

Recommendation 8

We recommend that CSU

- a. establish a control account and periodically reconcile the account to the detail records;**
- b. ensure all equipment purchases are recorded in the detail records in accordance with CSU policy; and**
- c. perform documented periodic physical inventories of equipment items, reconcile results to the related detail records, and investigate any missing or unaccounted for items.**

University response

The University agrees with this recommendation.

- a. The University agrees that controls are insufficient over equipment inventory and understand the risk this brings to managing the University's assets. As part of the Implementation Plan of the Special Review Committees' Recommendations the University is reviewing and working to restructure controls and procedures over equipment inventory; however the implementation of strong controls as suggested in your comments will require investment of financial resources in technology as well as human resources. While we work to identify those resources we have initiated a process for tagging and inventorying sensitive items as they are purchased. In addition we will establish a central inventory control account and develop a process to conduct a physical inventory on a regular basis of the equipment items reported on our financial statements that meet our capitalization threshold of \$5,000 or greater. We expect to implement that process in Spring 2014.
- b. In 2011 procedures were established and implemented for tagging and keeping inventory of technology sensitive items. Currently all new computer equipment purchases are tagged funded by federal and state resources. When received new computer equipment is forwarded to OIT, logged and set-up. It is then tagged and logged by the Controller's office

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before being forwarded to the end user. Tagged items are identified and categorized by funding source in the detailed records. Additionally, the facilities and public safety departments maintain an inventory detail of sensitive items as required by current University policy.

- c. The University will begin performing bi-annual physical inventory of all tagged equipment, reconcile results to the related detail records, and investigate any missing or unaccounted for items. We expect to implement this procedure in Spring 2014.

Cash Receipts

Finding 9

CSU had not established controls to safeguard certain collections.

Recommendation 9

We recommend that CSU

- a. ensure that employees having access to cash receipts not have the ability to void transactions, and**
- b. ensure that all recorded mail collections are verified to validated deposit records by an employee independent of the cash receipts functions (repeat).**

We advised CSU on accomplishing the necessary separation of duties using existing personnel.

University response

The University agrees with this recommendation.

- a. Corrections have been implemented to strengthen controls over voids. The University understands the risk involved in the cashier supervisor having void capability and access to the cash room; however this recommended segregation of duties presents a challenge to the workflow, due to limited personnel. The cashier supervisor also serves as a backup cashier therefore restricting the cashier supervisor from sole access to the cashiering station is not achievable. In an effort to mitigate the risk we have added an additional control over the void process. At time of audit all voids were reviewed daily by the Bursar and also reviewed by the Assistant Controller in the cash reconciliation process.

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To strengthen controls and mitigate risk the Bursar must now approve all voids prior to performing the void transaction. The Controller serves as a backup approver in the absence of the Bursar. Voids continue to be monitored by the Assistant Controller in the reconciliation of cash.

- b. The following corrections have been implemented:

At time of audit the cashier supervisor reviews and approves the processing of cash receipts and the cash reconciliation process is performed by the Assistant Controller. Once the money mail log has been prepared the log is forwarded to the cashier supervisor who determines the proper coding of the items. The log with the coding information is given to the cashier for processing. Upon the cashier's closeout process a batch report is run that details all items included in the total CD. The cashier supervisor ties this report to all detail receipts and logs including the money mail log. Additionally she verifies all items are posted correctly through the cashiering system. Subsequent to her review and sign-off the CD batch report is forwarded to the assistant controller who verifies the total CD batch is posted both to R*Stars and People Soft. In addition to our current processes the Assistant Controller will do an additional verification of the mail deposit total on the Cash Deposit (CD) report to the mail log total.

Information Systems Security and Control

Finding 10

CSU did not ensure that user access to perform certain critical system functions was appropriate.

Recommendation 10

We recommend that CSU

- a. assign user access capabilities only to those employees who require such capabilities to perform their job duties and immediately remove the aforementioned incompatible and unnecessary access capabilities (repeat), and**
- b. periodically review the aforementioned security reports of user capabilities and correct noted instances of improper access (repeat).**

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University response

The University agrees with this recommendation.

- a. Subsequent to functional area managers review of the security/access report for their areas, OIT will assign user access capabilities only to those employees who require such capabilities to perform their job duties and immediately remove the aforementioned incompatible and unnecessary access capabilities and request disabling of the improper access.
- b. Procedures for immediate review by functional area managers of employee system access upon change of position or responsibility will be developed. This will ensure that periodic review of the aforementioned security reports of user capabilities and correct noted instances of improper access. The new procedure for employee access changes will be implemented by March 2014.

Finding 11

Controls over a critical application's accounts, database monitoring, and passwords need to be strengthened.

Recommendation 11

We recommend CSU

- a. **implement and document a process for periodically identifying and eliminating inactive accounts;**
- b. **compare security and audit related activity logs to supporting documentation to ensure the activities were authorized and proper, and document and retain these reviews for future reference; and**
- c. **implement password controls over the database accounts in accordance with the aforementioned *Policy*.**

University response

The University agrees with this recommendation, however would like to clarify that the passwords for these accounts had expired and no one could login without OIT help.

- a. The University has taken the following action to enhance account management process:

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1. Implemented new HR procedures to force termination of inactive employee job records thus facilitating OIT to automatically lockup accounts.
 2. Effective January 1, 2013, OIT enforced “account lock-up” policy for inactive accounts over 120 days.
- b. As per the recommendation, procedures have been implemented to compare, review and document that changes were authorized. Effective January 1, 2013 all reviews are documented and retained for audit verification.
- c. As per the recommendation and in accordance with USM guidelines, Password controls have been strengthened.

Payroll

Finding 12

CSU made salary payments to an individual using methods that circumvented processes designed to enforce the earnings limitations for State retirees.

Recommendation 12

We recommend that CSU

- a. use the appropriate payment methodology for contractual employees, and**
- b. notify SRA of all past payments made to the aforementioned individual.**

University response

The University agrees with this recommendation.

- a. The University is currently developing a policy requiring all retired State employees returning to work at the University to be hired under contract in a Contingent 1 or 2 status and be paid through the contractual payroll process. Included as part of the policy, are procedures to notify MSRPS when an individual receiving service retirement or a vested allowance has been re-employed and what the anticipated earnings of the individual will be, in accordance with the Annotated Code of Maryland §23-407(h) as well as disclosure to the re-hired retiree that such actions will occur.

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The University also notes that a retirement handbook is provided to each employee who submits a retirement application. The handbook specifically states that there are earnings limitations post-retirement, and that it is the employee's responsibility to check with the State Retirement Agency to determine allowable earnings limits. The University is not privy to what the allowable earnings limits are for retired employees. Subsequently, the University will include as part of the implemented policy and procedures, an acknowledgement for retirees to sign upon re-employment certifying that their contractual wage earnings will be reported to MSRPS to ensure that allowable wage earnings limits are not exceeded.

This approach and processing methodology will ensure that retirees' wage earnings are reported to the State Retirement Agency by the University as required and provide checks and balances to prevent payments to the retiree that may exceed allowable earnings limits and at a minimum.

- b. The University has reported aforementioned retiree's earnings to the Maryland State Retirement and Pension System.

AUDIT TEAM

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Audit Manager

Richard L. Carter, CISA
Stephen P. Jersey, CPA, CISA
Information Systems Audit Managers

Mark S. Hagenbuch, CPA
Senior Auditor

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Omar A. Gonzalez, CPA
Information Systems Senior Auditors

Nicolas Carrona, CPA
Jason Goldstein
Sandra C. Medeiros
A’Knea Smith
Staff Auditors