

Audit Report

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**University System of Maryland  
Coppin State University**

June 2010

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**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**

June 28, 2010

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Executive Director

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Legislative Auditor

Senator Verna L. Jones, Co-Chair, Joint Audit Committee  
Delegate Steven J. DeBoy, Sr., 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, 2006 and ending June 30, 2009. 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 that CSU frequently did not take appropriate actions to collect outstanding student accounts. Specifically, CSU did not refer delinquent accounts to the State's Central Collection Unit in a timely manner and students with outstanding balances were permitted to register for classes at CSU in violation of USM's Board of Regents policy. Additionally, student accounts receivable adjustments, refunds, and residency classifications were not adequately controlled.

Our audit also disclosed that CSU lacked adequate internal controls over several other critical activities including electronic fund transfers, corporate purchasing cards, cash receipts, and information systems. For example, CSU did not adequately control user access to critical transactions processed on its automated system, as many system users had the capability to process critical transactions not needed to perform their job duties.

An executive summary of our findings can be found on page 5. 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 our audit by CSU.

Respectfully submitted,

Bruce A. Myers, CPA  
Legislative Auditor



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# Executive Summary

**Legislative Audit Report on the University System of Maryland (USM)  
Coppin State University (CSU)  
June 2010**

- **CSU did not always take appropriate and timely action to collect outstanding student account balances.**

CSU should pursue collection of all amounts due from student debtors and comply with related Board of Regents and CCU requirements.

- **Student refunds and non-cash credit adjustments made to student accounts were not properly controlled and the related duties were not adequately separated. During fiscal years 2007 through 2009, \$30 million in student refunds were processed.**

CSU should ensure that output reports of all non-cash credit adjustments and refunds processed are generated and selected transactions are reviewed and approved by independent supervisory personnel. CSU should also separate incompatible duties, as recommended.

- **Controls over student residency status determinations and subsequent changes were inadequate, and sufficient procedures were not in place to ensure the propriety of tuition waivers.**

CSU should obtain and maintain documentation supporting student residency status initial determinations and changes, and supervisory personnel should review the propriety of student residency transactions. CSU also needs to improve procedures to ensure all tuition waivers are adequately supported and properly approved.

- **CSU information systems were not adequately secured. For example, CSU did not ensure that user access to certain critical system applications was appropriate.**

CSU should take the recommended corrective actions to improve security over its information systems including evaluating assigned user access capabilities to ensure the capabilities are required to perform assigned job duties.

- **CSU did not adequately control electronic transfers of certain federal financial aid to ensure that such funds were properly credited to CSU and did not always submit federal reimbursement requests in a timely manner.**

CSU should ensure that independent personnel verify that all federal funds are received and that reimbursement requests are submitted in a timely manner.

- **CSU did not adequately monitor or control corporate purchasing card activity, resulting in alleged fraudulent activity.**

CSU should prohibit the sharing of corporate purchasing cards and implement other control procedures outlined in the *Corporate Purchasing Card Program Policy and Procedures Manual*.

## **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 Fall 2009 semester totaled 3,801, consisting of 3,301 undergraduate students and 500 graduate students. Approximately 88% of CSU's student enrollment for the Fall 2009 semester was classified as in-state and 12% 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 2009 totaled approximately \$79.8 million, including a State general fund appropriation of approximately \$34.2 million.

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

Our audit included a review to determine the status of the sixteen findings contained in our preceding audit report dated April 26, 2007. We determined that CSU satisfactorily addressed nine of the findings. The remaining seven findings were not resolved and are included in this report in five separate findings.



## Findings and Recommendations

### Student Accounts Receivable and Residency

#### Finding 1

**Coppin State University (CSU) did not always take appropriate and timely action to collect outstanding student account balances.**

#### Analysis

CSU did not always take appropriate action, as specified in the Department of Budget and Management - Central Collection Unit (CCU) policy and the University System of Maryland (USM) Board of Regents' *Policy on Payment of Tuition and Fees*, to collect outstanding student account balances. According to CSU's records, the aggregate balance of the detail student accounts receivable records totaled approximately \$4.5 million as of June 30, 2009, of which \$2.3 million related to approximately 2,500 student accounts with balances owed from the Fall 2004 semester through the Fall 2008 semester. Specifically, we noted the following conditions:

- CSU did not always transfer delinquent student accounts to CCU as required. Specifically, our test of 15 delinquent student accounts, that totaled approximately \$123,000 as of October 1, 2009 and were selected from an aging report of accounts that were at least 120 days old, disclosed that 8 accounts totaling \$50,500 were not transferred to CCU even though the accounts were delinquent for periods ranging from 4 months to 23 months beyond the time the accounts should have been transferred based on CCU regulations. Although CSU transferred the remaining 7 accounts totaling approximately \$72,500 to CCU, the accounts were transferred from 2 months to 41 months late.
- Our review of five students who were allowed to register for Spring 2009 classes despite having delinquent balances disclosed that CSU could not provide us with documentation that the outstanding account balances were covered by a USM policy exemption (such as pending financial aid). These five student accounts had balances of \$13,200 from the Spring or Fall 2007 semesters and, by the end of the Spring 2009 semester, the accounts had increased to approximately \$34,000. According to CSU's records, 3,763 students registered for the Spring 2009 semester, of which 184 students had outstanding balances totaling approximately \$223,000 from prior semesters dating back to as early as the Fall 2005 semester.

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. 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 stipulated due date unless the student is covered by a specified exemption. The *Policy* further requires that appropriate administrative action (such as barring class attendance) be initiated if timely payment is not received. Similar conditions were commented upon in our two preceding audit reports.

### **Recommendation 1**

**We recommend that CSU**

- a. transfer all delinquent accounts to CCU on a timely basis, as required (repeat);**
- b. 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**
- c. maintain documentation of registration exemptions granted to students with outstanding account balances.**

### **Finding 2**

**CSU lacked adequate controls over non-cash credit adjustments and student refunds.**

### **Analysis**

Controls over non-cash credit adjustments and student refunds recorded in the automated student accounts receivable system were lacking. Specifically, we noted the following conditions:

- Three employees had the ability to record non-cash credit adjustments to the automated system and to process refunds.
- Non-cash credit adjustments and refunds were not subject to an independent supervisory review and approval before being recorded in the automated system. Specifically, the employee responsible for reviewing and approving non-cash credits also had the ability to process the same transactions. Additionally, although CSU had the ability to generate an output report of non-cash credits, CSU did not generate this report in order to periodically conduct an independent review and approval of all non-cash credits processed. Finally, the two supervisory personnel responsible for reviewing refunds also had the ability to process refunds.

As a result of these conditions, CSU lacked assurance regarding the propriety of non-cash credit adjustments recorded to student accounts and erroneous adjustments could be recorded without detection. Furthermore, unauthorized and improper refund payments could be processed without detection. According to CSU's records, during fiscal years 2007 through 2009, student refunds processed totaled approximately \$30 million and non-cash credit adjustments recorded to student accounts totaled approximately \$7 million. Similar conditions were commented upon in our preceding audit report.

## **Recommendation 2**

**We recommend that**

- a. adequate separation of duties be established over the processing of refunds and non-cash credit adjustments;**
- b. all non-cash credit adjustments be reviewed and approved by independent supervisory personnel prior to being recorded in the applicable student accounts (repeat); and**
- c. output reports identifying all recorded non-cash credit adjustments and refunds be periodically generated (such as on a monthly basis) and that these reports be reviewed, at least on a test basis, by an independent supervisory employee to verify that the adjustments and refunds were supported and properly authorized (repeat).**

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

## **Finding 3**

**Proper controls were not established over student residency status determinations and subsequent changes.**

### **Analysis**

Proper controls were not established over student residency status determinations and subsequent changes to student residency status. Consequently, initial student residency determinations could be inaccurate or unauthorized changes could be recorded without detection. Specifically, we noted the following conditions:

- Documentation supporting initial determinations of student residency status (such as a Maryland driver's license) was not obtained, as required by USM policy. Rather, initial determinations were based solely on a questionnaire completed by the student. Although we were advised by CSU management personnel that additional documentation is requested for unusual applications (such as an applicant with an out-of-state high school transcript requesting in-state tuition), such documentation was not always obtained. Specifically, our

test of 15 students who, according to CSU records, received in-state tuition but had an out-of-state address, disclosed that CSU could not provide adequate documentation to support the in-state determinations made for 7 students. In addition, 1 of the 15 students received in-state tuition after submitting a request to have her address changed to an out-of-state address.

- Changes to student residency were not always supported or approved by supervisory personnel. Our test of 15 student residency changes from an out-of-state to an in-state residency status disclosed that CSU could not provide any documentation to support 9 residency changes.
- Although output reports of changes to student residency status were occasionally generated, CSU personnel did not verify the changes to related source documents to ensure the propriety of such changes.

USM's Board of Regents policy on *Student Classifications for Admission and Tuition Purposes* requires students to demonstrate their residency status (for example, demonstrate that they possess a valid Maryland driver's license), and that a change in residency status must be requested by submitting a USM institution's *Petition for Change in Classification for Tuition* along with supporting evidence. Accurate student residency status determinations are critical because of the significant differences between in-state and out-of-state student tuition rates. For example, full-time undergraduate tuition and fee charges for the Spring 2009 semester totaled \$2,570 for Maryland residents and \$6,683 for non-residents.

### **Recommendation 3**

**We recommend that CSU**

- a. obtain documentation (such as photocopies of driver's licenses) supporting student residency status determinations and changes, as required by USM policy;**
- b. ensure residency status changes are reviewed by independent supervisory personnel prior to being recorded; and**
- c. ensure that output reports of student residency changes are reviewed by independent supervisory personnel and verified to supporting documentation.**

**Finding 4****CSU lacked adequate controls over third party billings related to student accounts.****Analysis**

Third party billings related to unpaid student accounts were not adequately controlled. During fiscal year 2009, CSU issued third party billings (such as to private organizations awarding scholarships) for student accounts totaling approximately \$727,000. We noted the following conditions:

- The detail records for student account balances due from third parties were maintained by an employee who also prepared the related billings and pursued collection of the unpaid accounts. This employee also had access to the related collections. As a result, this employee had excessive control over these accounts and the related payments could be diverted and concealed by making erroneous postings to the applicable detail records.
- An independent control account for amounts due from third parties was not maintained by an employee not involved in the third party billing process.

Similar conditions were commented upon in our preceding audit report.

**Recommendation 4****We recommend that**

- a. the responsibility for billing and following up on unpaid third party accounts be assigned to an employee who does not have access to the related collection or maintain the related detail records (repeat), and**
- b. an independent control account for third party accounts receivable be maintained by an employee who does not handle the related billings and follow-up (repeat).**

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

**Finding 5****Internal controls over tuition waivers were not comprehensive.****Analysis**

Controls over tuition waivers were not comprehensive. 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 dependents and spouses. According to CSU's records, during our audit period, tuition waivers granted totaled approximately \$1.9 million. Specifically, we noted the following conditions:

- Output reports of tuition waivers posted to accounts receivable records were not used to verify that all waivers processed were supported by authorizing documents (such as approved waiver applications and signed award letters).
- Tuition waivers were not always adequately supported with appropriate waiver applications. Our test of 15 tuition waivers totaling approximately \$42,600 disclosed that CSU could not provide completed tuition waiver applications to support 9 waivers processed totaling approximately \$23,400.
- CSU did not verify the eligibility of spouses and dependents for which tuition remission waivers were requested. Rather, the tuition remission waivers were granted based solely on an employee's assertion of the factual accuracy of the tuition waiver application without determining whether the individual(s) was actually either a spouse or a dependent of the employee and qualified for the waiver under USM policies. According to the tuition remission application, the employee certifies that the documentation would be provided for verification purposes if requested by CSU. According to CSU's records, during our audit period, tuition waivers granted for employees, spouses, and dependents totaled approximately \$500,000.

**Recommendation 5**

**We recommend that CSU**

- a. periodically (such as monthly) generate and retain output reports identifying all tuition waivers processed and independently review this report to verify that such waivers were adequately supported and properly approved,**
- b. ensure that all tuition waivers are properly supported prior to processing the waivers, and**
- c. verify the eligibility of spouses and other dependents for which tuition remission waivers are being requested.**

## Information Systems Security and Control

### Background

The CSU 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 email and file servers, Internet connectivity, and firewalls. In addition, CSU connects to the University of Maryland Academic Telecommunications System network to send and receive data to and from other USM institutions.

### Finding 6

**CSU did not ensure that user assignments to perform certain critical system functions were appropriate.**

### Analysis

CSU did not periodically generate and review system security reports of capabilities assigned to users that enable those employees to perform certain critical functions on its automated system. Consequently, CSU lacked assurance that user capabilities were assigned in a manner that only granted employees those capabilities needed to perform their assigned duties. Our review of all 77 active system users assigned to selected critical applications disclosed that a number of system users did not need certain assigned accesses to perform their duties as follows:

Assignment of Critical Functions			
Critical Functions	Number of Assigned Users <sup>1</sup>	Exception Conditions Number of Assigned Users	
		Unnecessary Access Assignments	Former Employees <sup>2</sup>
Modify Purchase/Disbursement Transactions	24	12	0
Change Student Residency Status	17	4	0
Change Student Grades	14	3	2
Modify Student Accounts (issue noncash credits and refunds)	24	8	0
Modify Tuition and Fee Tables	6	4	0
<b>Totals</b>	<b>85</b>	<b>31</b>	<b>2</b>

<sup>1</sup>Some individual system users are assigned access to multiple critical functions

<sup>2</sup>Included in count of unnecessary access

In addition to the 12 employees assigned unnecessary access to purchase/disbursement transactions, we determined that the capabilities assigned to 6 other users enabled them to perform incompatible functions. Specifically, these users could initiate and approve purchase orders. Furthermore, one other user could initiate and approve invoices.

According to industry best practices, as described by the Department of Information Technology's *State Information Technology Access Control Standard*, a documented review of system access should be conducted at least annually.

### **Recommendation 6**

**We recommend that CSU**

- a. periodically generate computer system security reports and use these reports to evaluate assigned user access capabilities, and**
- b. assign specific user access capabilities only to those employees who require such capabilities to perform their job duties and immediately remove the aforementioned unnecessary and incompatible access capabilities.**

### **Finding 7**

**Account and password controls over critical systems were not sufficient.**

#### **Analysis**

Account and password controls over the student administration/human resources and financials systems were not sufficient. For example, for the financials system, password complexity and history were not adequately enforced. In addition, 456 active user accounts on the student administration/human resources system had never been used to log onto the application. We also noted 22 active accounts assigned to former employees. Furthermore, identical account and password information for 21 users existed on the production and test (non-production) server versions of the system used to authenticate users on the systems. Since controls over non-production environments are typically not as stringent, security compromises involving passwords used for test server versions increases the risk of improper access to production accounts. USM *Guidelines in Response to the State IT Security Policy* establish control settings for accounts and passwords including requirements related to password complexity (for example, requiring a mix of alphanumeric characters) and password history (that is, restricting the reuse of a password).

### **Recommendation 7**

**We recommend that CSU comply with account and password requirements and recommendations of the USM *Guidelines in Response to the State IT Security Policy*. We made detailed recommendations to CSU which, if implemented, should provide adequate security in this area.**

### **Finding 8**

**Access to and monitoring of critical systems were inadequate.**

### **Analysis**

Access to and monitoring of the student administration/human resources and financials systems were inadequate. Specifically, we noted the following conditions:

- Eight user accounts were assigned unnecessary access to an application maintenance tool that could be used to modify the financials system's application security settings and to make unauthorized changes to the information in the related databases.
- Six financials system user accounts were defined with the unnecessary ability to modify the financials system's application user profiles, roles and permission lists. Accordingly, unauthorized changes could be made to underlying financials system data.
- Security logs were not created for the financials and student administration/human resources applications and for the student administration/human resources database. Accordingly, significant security violations could go undetected by management, thus permitting unauthorized or inappropriate changes to the production data files.

Similar conditions were commented upon in our preceding audit report.

### **Recommendation 8**

**We recommend that CSU**

- a. restrict access to the application maintenance tool to personnel whose job duties require such access (repeat),**
- b. restrict the ability to modify application user profiles, roles and permission lists to personnel whose job duties require such access (repeat), and**
- c. regularly generate and review reports of significant audit and security events for its critical applications and databases (repeat).**

**Finding 9****Controls over the wireless network and firewalls were not adequate.****Analysis**

Controls over the wireless network and firewalls were inadequate. Specifically, we noted the following conditions:

- The Voice over Internet Protocol (VOIP) wireless network segment was not configured in a secure manner. This weakness allowed users to access workstations on the entire wired administrative user network over all ports. Such access should be limited to only necessary destinations and ports.
- The VOIP wireless network segment used an outdated encryption algorithm which can be easily cracked with available software. As a result, an attacker could access the wireless network and could capture wireless transmissions and decrypt the data.
- As of December 2009, firewall security event logs had not been reviewed for over three months.
- Backup copies of the firewalls' management server configuration (which contain critical information relating to the administration of the firewalls) were not created. These backup copies should be made on a periodic basis to assist in the recovery of the firewalls in the event of a disaster.

**Recommendation 9**

**We recommend that CSU**

- a. restrict access from the VOIP wireless network segment to specific destinations and ports;**
- b. use a secure encryption protocol for its VOIP wireless network segment;**
- c. regularly review the firewall security event logs, follow up on any questionable entries on the logs, document the review process, and retain the documentation for future reference; and**
- d. periodically create copies of the firewalls' management server configuration and retain these copies offsite in a secure, environmentally controlled location.**

## Student Financial Aid

### **Finding 10**

**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 Loans 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 (STO). In this regard, we were advised by USDOE that it had not received a written request from CSU specifying which employees were authorized to initiate changes to fund transfer destinations and, therefore, it would transfer funds to any bank account requested in writing by any CSU representative, provided the request was submitted on official CSU letterhead. Furthermore, reimbursement requests submitted by CSU were not reviewed and approved by independent supervisory personnel. Consequently, funds could be transferred to unauthorized bank accounts and such transfers would not be detected timely.

CSU obtains federal funds from USDOE for certain direct loans that it distributes to students. According to CSU records, during fiscal year 2009, wire transfers for direct student loans totaled approximately \$12.1 million. Similar conditions were commented upon in our preceding audit report.

#### **Recommendation 10**

**We recommend that**

- a. CSU management forward, to appropriate USDOE authorities, written instructions that specify the CSU employees who are authorized to submit requests for federal financial aid reimbursements and to specify bank accounts to which transfers should be made; and**
- b. all requests for electronic fund transfers and bank accounts related to federal student financial aid be reviewed and approved by independent supervisory personnel (repeat).**

**Finding 11**

**Federal fund reimbursement requests were not always submitted timely, resulting in approximately \$127,800 in lost interest income to CSU.**

**Analysis**

CSU did not always submit reimbursement requests for federal student aid expenditures in a timely manner. Specifically, our test of Federal Pell Grant and Direct Loan expenditures totaling approximately \$29.6 million disclosed that reimbursement requests totaling approximately \$19.1 million were processed from 1 to 8 months after the dates the reimbursements could have been submitted. We estimate that untimely reimbursement requests resulted in approximately \$127,800 in lost interest income to CSU. According to its records, CSU's federal fund expenditures for Pell Grants and Direct Loans totaled approximately \$52.4 million during fiscal years 2007 to 2009.

**Recommendation 11**

**We recommend that CSU submit federal fund reimbursement requests in a timely manner (such as within 30 days of the expenditures becoming eligible for submission).**

## Corporate Purchasing Cards

**Finding 12**

**CSU did not adequately monitor corporate purchasing card activity, resulting in alleged fraudulent activity.**

**Analysis**

CSU did not adequately monitor corporate purchasing card activity in accordance with the Comptroller of Maryland's *Corporate Purchasing Card Program Policy and Procedures Manual*. Specifically, our review disclosed the following conditions:

- CSU allowed employees to share corporate purchasing cards. For example, during most of the audit period, the Office of the Controller was issued one corporate purchasing card that it allowed at least four employees to use. Charges to this particular purchasing card totaled approximately \$807,200 during the period from January 2008 to January 2010. The sharing of cards and the lack of supporting documentation and supervisory approval (as noted in the second bullet) resulted in potential fraudulent transactions processed by one employee and discovered by CSU in January 2010. In March 2010, CSU management disclosed the details of the alleged fraudulent activity to our

Office. CSU advised us that in accordance with USM Board of Regent's *Policy on Reporting Suspected or Known Fiscal Irregularities* and the Governor's Executive Order for *Standards of Conduct for Executive Branch Employees*, CSU notified applicable USM officials (such as CSU's President, USM's Director of Internal Audits, and USM's Chancellor), the Governor's Office Chief Legal Counsel, and the Office of the Attorney General. We were also advised that the responsible employee admitted to using the card for personal use and was terminated from CSU employment.

- CSU lacked adequate documentation over certain corporate purchasing card purchases and did not always comply with related policies and procedures. Specifically, purchases made by cardholders were not always supported by vendor invoices and approved by supervisory personnel as required. Our test of 33 corporate card purchases totaling \$80,400 made on seven different cards disclosed that 16 purchases totaling approximately \$49,700 made on four cards were either not supported with vendor invoices or receipts or not properly approved by supervisory personnel.

The Comptroller of Maryland's *Corporate Purchasing Card Program Policy and Procedures Manual* prohibits the sharing of credit cards, requires that all purchases be supported by vendor invoices, and requires that cardholder supervisors approve all monthly purchase transaction logs. During fiscal year 2009, CSU's corporate purchasing card expenditures totaled approximately \$2.2 million. As of September 2009, CSU had 80 active corporate purchasing cards.

### **Recommendation 12**

**We recommend that CSU**

- a. prohibit the sharing of corporate purchasing cards and institute an effective monthly supervisory review of all purchasing card transactions to ensure proper supporting documentation and approval exists for all purchases, as required by the aforementioned *Manual*; and**
- b. work in conjunction with the Office of the Attorney General and other appropriate State officials to investigate and resolve the aforementioned alleged fraudulent activity.**

## Cash Receipts

### **Finding 13**

**Deposit verifications were not consistently performed to ensure that all collections received were deposited.**

#### **Analysis**

Deposit verifications were not always performed, or when performed, were not timely. Specifically, our test of nine deposits received during fiscal years 2008 and 2009, totaling approximately \$651,000, disclosed that no deposit verification was performed for four deposits totaling \$248,000 received during fiscal year 2008. We subsequently verified that these deposits were, in fact, deposited by CSU. When questioned about these deposits, CSU advised us that there was no independent deposit verification of collections received during fiscal year 2008. For the remaining five deposits totaling \$403,000, which were received during fiscal year 2009, the verifications were either not dated or were performed from approximately 3 to 9 months after the receipts were deposited.

According to its records, CSU's cash receipts (excluding credit card sales) totaled approximately \$7.4 million during fiscal year 2009.

#### **Recommendation 13**

**We recommend that verifications of recorded collections to deposit be performed consistently, and in a timely manner, by an employee independent of the collection process, and that these verifications be adequately documented.**

## Apartment Lease

### **Finding 14**

**CSU leased an apartment in Baltimore City for use by certain employees.**

#### **Analysis**

CSU made payments totaling approximately \$64,000, most of which was paid using a corporate purchasing card, to lease an apartment in Baltimore City during our audit period. We were advised by CSU management that it began leasing the apartment in October 2007 so that School of Nursing professors could stay overnight in Baltimore instead of driving back to their homes after working late nights. CSU believed that having this benefit helped to attract and retain School of Nursing professors. We were advised that at least six employees used the apartment at some point between June 2007 and November 2009. CSU could not

provide us with details on how often or how long the employees used the apartment and it did not have a policy detailing the circumstances for when the apartment could be used. In this regard, we were advised by USM management that there was no written USM policy on providing employee housing and it did not believe that the apartment lease was an appropriate use of resources. We were advised that the leasing arrangement was terminated in March 2010.

**Recommendation 14**

**We recommend that CSU not enter into leases to provide housing for its employees.**



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

We have audited the University System of Maryland (USM) – Coppin State University (CSU) for the period beginning July 1, 2006 and ending June 30, 2009. 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 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 controls, and to evaluate its compliance with applicable State laws, rules, and regulations. We also determined the status of the findings included 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 purchases and disbursements, student accounts receivable, cash receipts, payroll, and information technology systems. Our audit procedures included inquiries of appropriate personnel, inspection 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 provided to CSU by the USM Office. These support services (for example, endowment accounting, and bond financing) 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 the components of the USM.

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 from the USM Office, on behalf of CSU, to our findings and recommendations 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

June 25, 2010

Mr. Bruce A. Myers, CPA  
Legislative Auditor  
Office of Legislative Audits  
State Office Building  
301 West Preston Street  
Baltimore, MD 21201

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

1985  
University of Maryland  
Biotechnology Institute

RE: University System of Maryland –  
Coppin State University  
Audit Period: July 1, 2006 – June 30, 2009

Dear Mr. Myers:

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

Sincerely,

A handwritten signature in black ink that reads "WE Kirwan".

William E. Kirwan  
Chancellor

WEK:mk  
Enclosures

cc: Reginald S. Avery, Ph.D, President, Coppin State University  
Richard Siemer, Vice President, Coppin State University  
Mr. Clifford M. Kendall, Chairman, Board of Regents  
Mr. James Shea, Chairman, Audit Committee, Board of Regents  
Mr. Kevin M. O'Keefe, Chairman, MHEC  
James E. Lyons, Sr. Ph.D., Secretary of Higher Education, MHEC  
Mr. Robert Page, Comptroller, USM Office  
Mr. David Mosca, Director of Internal Audit, USM

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COPPIN STATE UNIVERSITY  
FOR THE PERIOD JULY 1, 2006 – JUNE 30, 2009**

**Student Accounts Receivable and Residency**

**Finding 1**

**Coppin State University (CSU) did not always take appropriate and timely action to collect outstanding student account balances.**

**Recommendation 1**

**We recommend that CSU**

- a. transfer all delinquent accounts to CCU on a timely basis, as required (repeat);**
- b. 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**
- c. maintain documentation of registration exemptions granted to students with outstanding account balances.**

**University response:**

The University concurs and will:

- a. Transfer all student accounts to CCU on a timely basis (June, 2010).
- b. Not permit students to register with outstanding account balances unless they meet a USM approved exception. The University will document that each member of the student accounts staff in the Bursar's Office has reviewed this USM policy by an annual review and signature evidencing this.
- c. Develop a form to document the reason for exceptions and their approval (July, 2010). This information will be maintained on file in the Bursar's Office.

**Finding 2**

**CSU lacked adequate controls over non-cash credit adjustments and student refunds.**

**Recommendation 2**

**We recommend that**

- a. adequate separation of duties be established over the processing of refunds and non-cash credit adjustments;**
- b. all non-cash credit adjustments be reviewed and approved by independent supervisory personnel prior to being recorded in the applicable student accounts (repeat); and**

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- c. output reports identifying all recorded non-cash credit adjustments and refunds be periodically generated (such as on a monthly basis) and that these reports be reviewed, at least on a test basis, by an independent supervisory employee to verify that the adjustments and refunds were supported and properly authorized (repeat).**

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

**University response:**

The University concurs:

- a. No employee now has the ability to both record non-cash credit adjustments and to process refunds.
- b. The Controller will review and approve all non-cash credit adjustments. System access has been changed so that he does not have the ability to initiate such a transaction (June, 2010).
- c. The University will produce, on a monthly basis, a report listing all non-cash credit adjustments which will be reviewed by the Associate in the Budget Office who is independent of the Controller's Office and has no cash receipt or cash management responsibilities. These reports will be maintained on file in the budget office with a signature and date evidencing the review (August, 2010).

**Finding 3**

**Proper controls were not established over student residency status determinations and subsequent changes.**

**Recommendation 3**

**We recommend that CSU**

- a. obtain documentation (such as photocopies of driver's licenses) supporting student residency status determinations and changes, as required by USM policy;**
- b. ensure residency status changes are reviewed by independent supervisory personnel prior to being recorded; and**
- c. ensure that output reports of student residency changes are reviewed by independent supervisory personnel and verified to supporting documentation.**

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**University response:**

The University concurs:

- a. The University will develop a formal procedure in the Admissions Office that will require appropriate documentation and review before residency status is changed (July, 2010).
- b. An independent supervisory person will review residency status changes before they are recorded (June, 2010).
- c. An independent supervisory person will review a system generated report on a monthly basis to verify the appropriateness of residency status changes (July, 2010).

**Finding 4**

**CSU lacked adequate controls over third party billings related to student accounts.**

**Recommendation 4**

**We recommend that**

- a. **the responsibility for billing and following up on unpaid third party accounts be assigned to an employee who does not have access to the related collection or maintain the related detail records (repeat), and**
- b. **an independent control account for third party accounts receivable be maintained by an employee who does not handle the related billings and follow-up (repeat).**

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

**University response:**

The University concurs and:

- a. The University will implement the necessary separation of duties as indicated in the audit recommendation (June, 2010).
- b. The Senior Accounting Manager will maintain the control account for student third party billings. The Associate in the Budget Office will reconcile the detail accounts to the control account on a monthly basis and evidence this review by signing the worksheet and maintaining it on file in her office (July, 2010).

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**Finding 5**

**Internal controls over tuition waivers were not comprehensive.**

**Recommendation 5**

**We recommend that CSU**

- a. periodically (such as monthly) generate and retain output reports identifying all tuition waivers processed and independently review this report to verify that such waivers were adequately supported and properly approved,**
- b. ensure that all tuition waivers are properly supported prior to processing the waivers, and**
- c. verify the eligibility of spouses and other dependents for which tuition remission waivers are being requested.**

**University response:**

The University concurs and:

- a. The University will produce an output report of all tuition waivers processed, monthly, and these reports will be used to independently verify the correctness of the waivers (July, 2010).
- b. For employee's seeking tuition remission for claimed dependents not listed on the employee's benefit plan, the applicant will be required to submit a copy of the most recent tax return along with birth and/or marriage certification to verify the relationship of the student to the employee (June, 2010).
- c. All tuition remission requests shall be reviewed by the Office of Human Resources for spouses and dependents to verify the requests with the dependents listed on the employee's benefit plan (June, 2010).

**Information Systems Security and Control**

**Finding 6**

**CSU did not ensure that user assignments to perform certain critical system functions were appropriate.**

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**Recommendation 6**

**We recommend that CSU**

- a. periodically generate computer system security reports and use these reports to evaluate assigned user access capabilities, and**
- b. assign specific user access capabilities only to those employees who require such capabilities to perform their job duties and immediately remove the aforementioned unnecessary and incompatible access capabilities.**

**University response:**

The University concurs that we should review system capability access on a regular basis, and:

- a. The University will generate a computer system security access report(s) and on a quarterly basis review access. These reports will be dated and the meeting attendees will be recorded evidencing the review, and the report (s) maintained on file in the Office of the Vice President for Administration and Finance (August, 2010).
- b. The Human Resource Director will be in attendance at these review meetings and an item of review will be correlating an individual's current position responsibilities with access (August, 2010).

**Finding 7**

**Account and password controls over critical systems were not sufficient.**

**Recommendation 7**

**We recommend that CSU comply with account and password requirements and recommendations of the USM *Guidelines in Response to the State IT Security Policy*. We made detailed recommendations to CSU which, if implemented, should provide adequate security in this area.**

**University response:**

The University concurs with the finding and we have taken the following action:

- a. Character requirement parameter has been set on non-LDAP accounts.
- b. Password complexity and history parameter has been updated to disallow re-use of last 10 passwords on non-LDAP accounts.

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- c. We will implement by July 1, 2010 and document processes for semi-annual verification of employee access/privileges, and to lock up inactive or terminated user accounts.
- d. To address Identical Passwords: Script has been developed and implemented to change password for non-LDAP accounts in non-production systems during system refresh.

**Finding 8**

**Access to and monitoring of critical systems were inadequate.**

**Recommendation 8**

**We recommend that CSU**

- a. restrict access to the application maintenance tool to personnel whose job duties require such access (repeat),**
- b. restrict the ability to modify application user profiles, roles and permission lists to personnel whose job duties require such access (repeat), and**
- c. regularly generate and review reports of significant audit and security events for its critical applications and databases (repeat).**

**University response:**

The University concurs with the finding and as per the recommendation:

- a. Application maintenance tool access has been restricted to Information System (IS) Technical Staff only.
- b. Procedures have been implemented for daily review of user capabilities, and ensure that ability to modify application user profiles, roles are available only to IS Technical staff.
- c. New procedures are being tested and will be implemented by July 1, 2010 to report and facilitate independent daily review of security changes made by OIT technical staff.
- d. Procedures have been implemented to monitor database security events. Daily event log reviews by the Information Systems Security staff with will be documented and then reviewed once a week by IS Technical manager, will be kept on file for subsequent reviews.

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**Finding 9**

**Controls over the wireless network and firewalls were not adequate.**

**Recommendation 9**

We recommend that CSU

- a. restrict access from the VOIP wireless network segment to specific destinations and ports;
- b. use a secure encryption protocol for its VOIP wireless network segment;
- c. regularly review the firewall security event logs, follow up on any questionable entries on the logs, document the review process, and retain the documentation for future reference; and
- d. periodically create copies of the firewalls' management server configuration and retain these copies offsite in a secure, environmentally controlled location.

**University response:**

The University concurs:

- a. The University will update VoIP wireless network with correct access control for certain subnets by December 2010.
- b. The University will update current security encryption protocol for VoIP by December 2010.
- c. The University has updated its policies and procedures. CSU Campus Network Services will maintain a daily review of the firewall event log and follow up on any questionable entries on the logs, document the review process, and retain the documentation for future reference.
- d. The University has updated its policies and procedures. CSU has upgraded to a new firewall solution where the management server configuration is being backed up to a secure, environmentally controlled location.

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## **Student Financial Aid**

### **Finding 10**

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

### **Recommendation 10**

**We recommend that**

- a. CSU management forward, to appropriate USDOE authorities, written instructions that specify the CSU employees who are authorized to submit requests for federal financial aid reimbursements and to specify bank accounts to which transfers should be made; and**
- b. all requests for electronic fund transfers and bank accounts related to federal student financial aid be reviewed and approved by independent supervisory personnel (repeat).**

### **University response:**

The University concurs:

- a. The President will send a letter to USDOE specifying who is authorized to submit a request for federal funds reimbursement and who can open a new bank account. We will review this letter as part of our annual closing process to ascertain whether it needs to be undated (July, 2010).
- b. The Budget Director, who is independent of the Controller and the Controller's Office, will review and approve all electronic fund transfers (June, 2010).

### **Finding 11**

**Federal fund reimbursement requests were not always submitted timely, resulting in approximately \$127,800 in lost interest income to CSU.**

### **Recommendation 11**

**We recommend that CSU submit federal fund reimbursement requests in a timely manner (such as within 30 days of the expenditures becoming eligible for submission).**

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**University response:**

The University concurs. The University is now submitting federal fund reimbursement requests on a monthly basis (June, 2010). We are automating the process this summer to make it less time consuming to gather the required information (August, 2010).

**Corporate Purchasing Cards**

**Finding 12**

**CSU did not adequately monitor corporate purchasing card activity, resulting in alleged fraudulent activity.**

**Recommendation 12**

**We recommend that CSU**

- a. prohibit the sharing of corporate purchasing cards and institute an effective monthly supervisory review of all purchasing card transactions to ensure proper supporting documentation and approval exists for all purchases, as required by the aforementioned *Manual*; and**
- b. work in conjunction with the Office of the Attorney General and other appropriate State officials to investigate and resolve the aforementioned alleged fraudulent activity.**

**University response:**

The University concurs:

- a. The Controller's purchasing card has been cancelled and reissued. It is currently being used only for his own purchases, complying with the State's policy and the University's own implementation policy. We terminated the Accounts Payable Manager, after an internal review, for failure to perform the necessary supervisory review of purchasing card transactions as required by State and CSU policies (100% review of transactions). The current Accounts Payable Manager's office is ensuring policy compliance.
- b. The University is continuing to work with the Office of the Attorney General to prosecute the alleged incident of fraud to the fullest extent the law allows.

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**Cash Receipts**

**Finding 13**

**Deposit verifications were not consistently performed to ensure that all collections received were deposited.**

**Recommendation 13**

**We recommend that verifications of recorded collections to deposit be performed consistently, and in a timely manner, by an employee independent of the collection process, and that these verifications be adequately documented.**

**University response:**

The University concurs. The University will have the Associate in the Budget Office perform the reconciliation of collections to deposits on a timely basis. These reconciliations will be documented and retained on file in the Budget Office (July, 2010).

**Apartment Lease**

**Finding 14**

**CSU leased an apartment in Baltimore City for use by certain employees.**

**Recommendation 14**

**We recommend that CSU not enter into leases to provide housing for its employees.**

**University response:**

The University concurs. The lease was terminated March 25, 2010.

AUDIT TEAM

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Audit Manager

**Richard L. Carter, CISA**  
**Stephen P. Jersey, CPA, CISA**  
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