Review of Community College Audit Reports

Fiscal Year Ending June 30, 2025

OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

To Obtain Further Information

Office of Legislative Audits
The Warehouse at Camden Yards
351 West Camden Street, Suite 400
Baltimore, Maryland 21201
Phone: 410-946-5900
Maryland Relay: 711
TTY: 410-946-5401 · 301-970-5401
E-mail: webmaster@ola.maryland.gov
Website: ola.maryland.gov

To Report Fraud

The Office of Legislative Audits operates a Fraud Hotline to report fraud, waste, or abuse involving State of Maryland government resources. Reports of fraud, waste, or abuse may be communicated anonymously by a toll-free call to 1-877-FRAUD-11, by mail to the Fraud Hotline, c/o Office of Legislative Audits, or through the Office's website.

Nondiscrimination Statement

The Department of Legislative Services does not discriminate on the basis of age, ancestry, color, creed, marital status, national origin, race, religion, gender, gender identity, sexual orientation, or disability in the admission or access to its programs, services, or activities. The Department's Information Officer has been designated to coordinate compliance with the nondiscrimination requirements contained in Section 35.107 of the United States Department of Justice Regulations. Requests for assistance should be directed to the Information Officer at 410-946-5400 or 410-970-5400.

Victoria L. Gruber
Executive Director

Brian S. Tanen, CPA, CFE
Legislative Auditor

DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

July 20, 2026

Senator Shelly L. Hettleman, Senate Chair, Joint Audit and Evaluation Committee
Delegate Jared Solomon, House Chair, Joint Audit and Evaluation Committee
Members of Joint Audit and Evaluation Committee
Annapolis, Maryland

Ms. Catherine J. Motz, Chair
Maryland Higher Education Commission

Ms. Victoria L. Gruber, Executive Director
Department of Legislative Services

Ladies and Gentlemen:

In accordance with the provisions of the Education Article, Section 16-315(h) of the Annotated Code of Maryland, we have reviewed the audit reports that must be filed with the Maryland Higher Education Commission (MHEC) by 15 of the State's community colleges for the fiscal year ended June 30, 2025.

Our review disclosed that the community colleges and their independent auditors substantially complied with the applicable statutes and the guidelines promulgated by MHEC. Specifically, all opinions expressed by the colleges' independent auditors stated that the applicable financial statements were presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

We did identify one audit report that did not comply with the American Institute of Certified Public Accountants guidance. In addition, we noted three colleges had deficit balances in unrestricted net position as of June 30, 2025, and one college had deposits totaling $35,318 that were not fully collateralized or otherwise insured as required by State law.

A draft copy of this report was provided to MHEC for review and comment. Since there are no recommendations in this report, a written response was not necessary.

Respectfully submitted,

Brian S. Tanen

Brian S. Tanen, CPA, CFE
Legislative Auditor

Purpose of Review and Background Information

In accordance with the provisions of the Education Article, Section 16-315(h) of the Annotated Code of Maryland, we have reviewed the audit reports that must be filed with the Maryland Higher Education Commission (MHEC) by 15 of the State's community colleges[1] for the fiscal year ended June 30, 2025. We reviewed these audit reports to determine compliance with the applicable statutes and the guidelines promulgated by MHEC. We also reviewed the reports to determine if any of the community colleges had deficit balances in unrestricted net position, or uninsured/uncollateralized bank deposits. This report contains the results of that review.

According to the State's records, State aid totaling approximately $494.3 million was granted to 15 of Maryland's 16 community colleges for the fiscal year ended June 30, 2025. This aid primarily consisted of funding based on cost and student enrollment data as well as certain retirement benefits and various grants.

The Education Article, Section 16-315(a) of the Annotated Code of Maryland requires MHEC to adopt guidelines for the preparation of annual audit reports on the colleges. The guidelines promulgated by MHEC as State regulations require independent auditors to express opinions as to the fairness of presentation of the colleges' financial statements as well as of the cost and student enrollment data used for calculating the State aid to the colleges. The guidelines also require the auditors to issue management letters containing all material weaknesses in the colleges' systems of internal controls. While not required, many of the auditors issue management letters that contain additional recommendations that were not considered material weaknesses.

Furthermore, the guidelines require the audits to be conducted in accordance with the American Institute of Certified Public Accountants *Industry Audit Guide: Audits of Colleges and Universities* and in compliance with generally accepted auditing standards. All 15 audit reports expressed unqualified opinions. An unqualified opinion is issued when the auditor states that the applicable financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

[1] The sixteenth college is Baltimore City Community College (BCCC), which is a budgetary unit of the State and receives an annual State appropriation. BCCC is not subject to the Education Article, Section 16-315(h) of the Annotated Code of Maryland, but obtains annual financial statement audits conducted by a certified public accounting firm. BCCC is also subject to fiscal compliance audits by the Office of Legislative Audits for which a separate audit report is issued.

Results of Review

Audit Reports

One audit report was not presented in accordance with American Institute of Certified Public Accountants (AICPA) guidance.

One audit report was not presented in accordance with AICPA guidance. Specifically, the Community College of Baltimore County audit report did not express an opinion on the College's Fiduciary Funds which is a unit included in the College's basic financial statements. The AICPA audit guidance requires an opinion for all units included within the basic financial statements. A similar condition was noted in our prior review report dated August 12, 2025.

Financial Statements

Three community colleges had deficit balances in the unrestricted portion of their net position as of June 30, 2025.

Our review disclosed three colleges with deficit balances in the unrestricted component of their net position as of June 30, 2025. This has been a long-standing condition at each of these colleges (see Figure 1). An unrestricted net position deficit balance represents expenses for current or past services that will need to be financed with funds related to future periods and could indicate a potential financial problem.

Figure 1
Colleges with Deficit Unrestricted Balances as of June 30, 2025

College	Deficit	Condition Repeated Since Fiscal Year
Anne Arundel Community College	$29,152,384	2011
Community College of Baltimore County	$99,047,251	2016
Carroll Community College	$14,150,271	2009

Uncollateralized Funds

Financial statements submitted by one community college contained disclosures that cash deposits were not adequately collateralized, or otherwise insured, as required by State law.

The financial statements submitted by Garrett College contained a disclosure that cash deposits totaling $35,318 were not adequately collateralized, or otherwise insured. The Local Government Article, Section 17-101 of the Annotated Code of Maryland requires that deposits with financial institutions by local governmental units be fully collateralized. Full collateralization minimizes the risk of loss of deposits in the event the financial institution defaults. In addition, this law requires that collateral be of the types specified in the State Finance and Procurement Article, Section 6-202 of the Code.

AUDIT TEAM

Robert A. Wells, Jr., CPA
Audit Manager

John B. Wachter, CFE
Senior Auditor

Matthew P. Henry
Timothy Moon
Staff Auditors