Audit Report

University System of Maryland
University of Maryland Global Campus

August 2024

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DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

Brian S. Tanen, CPA, CFE
Legislative Auditor

August 20, 2024

Senator Clarence K. Lam, M.D., 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

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the University System of Maryland (USM) – University of Maryland Global Campus (UMGC) for the period beginning October 1, 2018 and ending December 31, 2022. UMGC primarily offers on-line degree and non-credit educational programs to students who prefer not to enroll in more traditional programs.

This audit report contains a number of significant findings, including millions of dollars lost because of an abandoned information technology project, related to entities created by UMGC with the approval of the USM Board of Regents. As noted in our prior report, UMGC was permitted to create three new independent business entities, two of which were spinoffs of its information technology unit and its data analytics unit. The intent was, in part, to help commercialize the technology, business processes, and intellectual property of UMGC, and by doing so, expand its revenue sources into new areas and address UMGC's long-term challenges in maintaining its position in a changing global marketplace. UMGC provided $25 million in startup funding to two of these entities. At the time of our current audit, these entities had been in existence for over six years.

Our audit disclosed that UMGC has not conducted a formal comprehensive evaluation of these entities' success in meeting their goals and objectives, and our review disclosed that two of these entities remained almost solely dependent on UMGC as a customer and source of revenue. Between fiscal years 2017 and 2022, revenue reported by one of these entities[1] totaled $215.3 million, of which $198.1 million came from UMGC. Despite the significant contributions and exclusive use of the entities for certain services, UMGC had essentially no

[1] As explained elsewhere in this report, this entity served as the holding company of the second company and reported financial data on a consolidated basis.

oversight or control and could not provide critical information about operations including the salaries being paid to its employees, procurement practices, ethics policies, and internal controls.

In this regard, UMGC relied solely on these entities for its information technology (IT) services without any competitive procurement to ensure the costs were reasonable and the entities were qualified to provide the services. Because these entities were established as High Impact Economic Development Activities (HIEDA) entities, State law permits UMGC to use them without competitive procurement. However, the law does not mandate exclusive use of these entities, and we believe that the findings in this report demonstrate that UMGC's practice of doing so, including services that were subcontracted out to other vendors, severely restricted its ability to ensure that it obtains IT services from the best qualified vendor and in the most cost-effective manner.

UMGC also did not adequately monitor the work performed by these entities to ensure the related services were provided. The lack of competitive procurement and inadequate monitoring may have contributed, at least in part, to a failed IT project procured from one of these entities for implementation of a new student information system on which UMGC had expended $25.7 million without the delivery of a viable product. UMGC abandoned the project prior to completion after an independent vendor noted multiple implementation deficiencies and significant risk to UMGC if an attempt was made to go live on the scheduled start date. Consequently, the $25.7 million, which exceeded the initial expected cost of $21.6 million, was lost, and UMGC ultimately paid another vendor $719,000 to update its existing student information system. This update did not provide the functionality originally anticipated with the new student information system, but was necessary to ensure the continued orderly processing of financial aid.

We also found that invoices received for other IT services requested from the entities did not provide sufficient information for UMGC to adequately monitor costs being incurred and services received, and that there was a lack of accountability over $11.3 million of contingency fees paid between fiscal year 2020 and 2023.

Our audit further disclosed that UMGC did not have formal documented procedures for assigning work under two master advertising contracts totaling $500 million, and related statements of work were not sufficiently detailed to allow for effective monitoring by UMGC. Furthermore, UMGC did not adequately justify two sole source procurements of certain other advertising services and did not consolidate those procurements which we believe circumvented USM *Procurement Policies and Procedures*. The failure to

properly procure and monitor work on these contracts is significant given the ongoing drop in enrollment during the audit period.

We also found that UMGC did not adequately control and account for certain collections, which totaled $7.3 million in fiscal year 2022, and did not independently review and approve the majority of changes in student residency status.

Finally, our audit included a review to determine the status of the four findings contained in our preceding audit report. We determined that UMGC satisfactorily addressed these four findings.

The USM Office's response to this audit, on behalf of UMGC, is included as an appendix to this report. In accordance with State law, we have reviewed the response and, while UMGC generally agrees with the recommendations in this report, we identified certain instances in which statements in the response conflict with or disagree with the report findings. In each instance, we reviewed and reassessed our audit documentation, and reaffirmed the validity of our finding. In accordance with generally accepted government auditing standards, we have included "auditor's comments" within USM's response to explain our position.

Furthermore, there are other aspects of USM's response which will require further clarification, but we do not anticipate that these will require the Committee's attention to resolve. In accordance with our policy, we have edited USM's response as well as Exhibit 1 to remove vendor names or products.

We wish to acknowledge the cooperation extended to us during the audit by UMGC. We also wish to acknowledge USM's and UMGC's willingness to address the audit issues and implement appropriate corrective actions.

Respectfully submitted,

Brian S. Tanen

Brian S. Tanen, CPA, CFE
Legislative Auditor

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Background Information

Agency Responsibilities

The University of Maryland Global Campus (UMGC)[2] is a public institution of the University System of Maryland (USM) and operates under the jurisdiction of the USM's Board of Regents. UMGC offers degree and non-credit educational programs to students who prefer not to enroll in more traditional programs. UMGC strives to broaden educational opportunities through online education; the majority of UMGC's courses are taught online.

UMGC consists of three major divisions: the Statewide Division, the Asian Division, and the European Division. These three divisions offer educational programs at a number of locations primarily throughout the State of Maryland, as well as in numerous foreign countries. UMGC maintains a residential conference center that includes conference rooms, guest accommodations, and dining facilities. UMGC's main administrative office and residential conference center are located in Adelphi, Maryland. The Asian Division is headquartered in Tokyo, Japan and the European Division is headquartered in Kaiserslautern, Germany.

For fiscal year 2022, UMGC's enrollment totaled 86,582 students. UMGC's budget is funded by unrestricted revenues, such as tuition and student fees; a State general fund appropriation; and restricted revenues, such as federal grants. According to UMGC's records, fiscal year 2022 revenues totaled approximately $498.7 million, which included a State general fund appropriation of approximately $41 million (see Figure 1 on the following page).

[2] Prior to July 1, 2019, UMGC was named University of Maryland University College (UMUC). Effective that date, the name was changed to University of Maryland Global Campus (UMGC). The current name has been used in this report regardless of the time period referenced.

Figure 1
UMGC Positions, Expenditures, and Funding Sources

Full-Time Equivalent Positions as of June 30, 2022		
	Positions	**Percent**
Filled	1,212	94%
Vacant	84	6%
Total	**1,296**	

Fiscal Year 2022 Expenditures		
	Expenditures	**Percent**
Salaries, Wages, and Fringe Benefits	$243,760,267	48.9%
Technical and Special Fees	2,686,360	0.5%
Operating Expenses	252,297,308	50.6%
Total	**$498,743,935**	

Fiscal Year 2022 Funding Sources		
	Funding	**Percent**
Unrestricted		
General Fund	$ 41,060,489	8.2%
Tuition and Fees	351,270,518	70.4%
Other University Revenues[3]	21,661,202	4.4%
	$413,992,209	**83.0%**
Restricted		
Federal Grants and Contracts	$ 81,646,178	16.4%
Other Gifts, Grants and Contracts	3,105,548	.6%
	84,751,726	**17.0%**
Total	**$498,743,935**	

Source: State financial records and UMGC personnel records

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the four findings contained in our preceding audit report dated November 6, 2019. We determined that UMGC satisfactorily addressed these four findings.

[3] Includes revenues from Educational Activities ($12.6M) and from the Higher Education Investment Fund ($4.6M).

Findings and Recommendations

University of Maryland Global Campus (UMGC) Business Initiatives

Background and Limitation of OLA Work

Our preceding audit report commented that, in February 2015, the University System of Maryland (USM) Board of Regents (BOR) approved the framework for a new business model for UMGC aimed at addressing its long-term challenges in maintaining its position in a changing global marketplace. Under this new model, UMGC remains within USM, but was granted certain autonomies and exemptions from USM and State laws, rules, and procedures, and strengthened protections of UMGC's proprietary and competitive information.

In our preceding report we disclosed that UMGC established certain business entities consistent with this new business model, two of which were designated as High Impact Economic Development Activities (HIEDA). HIEDA entities are initiatives which, according to State law, may be established by designated institutions of higher education, including USM, to promote the economic interests of the State in areas such as job creation and workforce development, technology transfer, commercialization, and entrepreneurship. In September 2015, the USM BOR approved its *Policy On High Impact Economic Development Activities (Policy)* addressing, in part, the purpose, creation, requirements, conflicts of interest, and procurement policies and procedures relating to HIEDA entities for USM institutions. Proposals for establishing a HIEDA entity must be presented to the USM Chancellor to obtain certification as meeting required criteria. Employees of these business entities, including any former UMGC employees who transferred to these HIEDA entities, are not State employees.

- In September 2015, the BOR approved the creation of HelioCampus, UMGC's first HIEDA entity, which was a spin-off of its Office of Analytics. UMGC provided $10 million of its funds as startup funding to HelioCampus. Furthermore, UMGC's Vice President for Data Analytics and 15 other UMGC employees transferred to the new entity. HelioCampus was created to provide services, such as data analytics and data-sharing platforms, to assist universities, including UMGC, with increasing enrollment, improving student success, and ensuring financial stability.

- In June 2016, the BOR approved the creation of a second HIEDA entity, UMGC Ventures (Ventures), as a tax-exempt holding company for businesses commercialized by UMGC. According to Ventures' Articles

of Incorporation and the USM HIEDA certification, the president of UMGC appoints the chairperson and the majority of Ventures' board of directors. UMGC transferred $15 million of its funds to Ventures for startup funding. In September 2016, UMGC transferred its ownership in HelioCampus to Ventures.

- In June 2017, the BOR approved UMGC's spin-off of its Office of Technology (including 100 employees) into a subsidiary company within Ventures. The subsidiary company, AccelerEd, offers professional information technology (IT) services for a fee to educational institutions, including UMGC. UMGC did not provide any start-up funding for AccelerEd, which initially was not classified as a HIEDA entity, but was subsequently approved by the USM Chancellor as a HIEDA entity in June 2019.

- In December 2019, a controlling interest in HelioCampus was sold by Ventures to a private equity firm. According to the fiscal year 2020 audited financial statements for Ventures and its subsidiaries, proceeds from the sale totaled approximately $26.2 million, and subsequent to the sale Ventures retained a 21.1 percent interest in HelioCampus[4] with a fair market value at June 30, 2020 of $10 million.

- In January 2021, the University System of Maryland Office of Internal Audit issued an audit report on UMGC contracts with Ventures. The audit was recommended by the University System of Maryland's Independent Auditor and approved by the BOR Audit Committee. The audit objective was to determine whether UMGC monitors the expenses incurred and verifies cost allocations by Ventures in executing services under two contracts. The audit report concluded that UMGC had adequate controls to monitor its contract expenses with Ventures and that Ventures is appropriately allocating its costs. No areas of improvement were identified.

According to Ventures' fiscal year 2022 audited financial statements, the purpose of Ventures was to commercialize the technology, business process, and intellectual property of UMGC, increase enrollment revenues through corporate partnerships, expand revenues into new areas to support UMGC, and build an endowment for UMGC's benefit to reduce the cost of higher education for Maryland residents. To meet these objectives, HelioCampus and AccelerEd originally were placed under Ventures with the expectation of marketing and

[4] UMGC's 21.1 percent remaining interest is actually in a holding company established by the private equity firm.

providing data analytics and IT services for a fee to institutions of higher education and potentially other clients.

During our current audit of UMGC we attempted to review certain activity relating to Ventures, AccelerEd, and HelioCampus, including services provided to UMGC, as well as oversight of these entities exercised by UMGC. However, in response to several of our requests for information and documentation relating to these entities, UMGC stated that it was unable to meet our requests for one or more of these entities, frequently answering "N/A" (not applicable) or "Out of scope, not related to UMGC." For example, UMGC would not provide information or documentation we requested and deemed significant for the purposes of our audit in determining the relationship between the entities and UMGC and the extent of our audit effort regarding:

- the existence of entity governing boards, as well as members, terms, vacancies, meetings, and powers;
- title, salary, bonus, and severance information for all entity employees;
- the existence of ethics and procurement policies established by the entities;
- agreements and contracts established between the entities and between the entities and any subcontractors; and
- details regarding the aforementioned sale of HelioCampus

UMGC referred us to Internal Revenue Service (IRS) Form 990 *Return of Organization Exempt From Income Tax* for certain information, which we examined as indicated below. UMGC further advised us that, because of IRS regulations regarding the tax-exempt status granted to Ventures, that entity, including its subsidiaries AccelerEd and HelioCampus, must remain at arm's length and not be subject to any direct control from UMGC, and consequently, UMGC declined to provide the requested information or documentation. As an aside, and as previously mentioned, the UMGC President appoints the majority of the Ventures' board.

The UMGC decision to not provide us with requested information limited our ability to review the relationship between the various entities. Furthermore, the IRS regulation UMGC has referenced appears to have severely restricted UMGC's ability to monitor and respond to critical activity relating to these entities as evidenced by the related findings in this report, including a finding that during fiscal years 2017 to 2022 UMGC accounted for between 91 and 99 percent of Ventures' business activity, which was awarded by UMGC as essentially a sole source procurement.

In our opinion, the extent of exclusive work performed for UMGC by Ventures and its subsidiaries calls into question the claimed independence of the various entities; and as previously mentioned the UMGC President appoints the majority of the Ventures' board. Furthermore, the UMGC Chief Operating Officer currently serves on Ventures' Board. UMGC did provide us with documentation and answers for other requests and inquires we made which it felt it was permitted to provide.

Since we could not obtain all requested information about Ventures and its subsidiaries from UMGC, we reviewed the publicly available IRS Form 990 filed annually for Ventures which provided certain financial data and other organizational information we deemed pertinent to our review (see Figure 2).

Figure 2
Financial Data UMGC Ventures, Inc.

Fiscal year	2022	2021	2020	2019
Total Revenue (1)	$43.4 million	$47.7 million	$84.3 million	$44.8 million
Total Expenses (2)	$39.8 million	$44.2 million	$63.7 million	$36.0 million
Total Number of Employees	205	247	225	134
Total salaries, other compensation, and employee benefits	$23.7 million	$22.1 million	$25.8 million	$16.9 million
Reportable compensation for key employees/ number of employees receiving (3)	$2.6 million 12	$2.6 million 12	$2.4 million 14	$2.3 million 10
Bonuses and other incentive compensation/ number of employees receiving (4)	$260,000 7	$306,917 4	$40,000 1	$247,803 6
Reportable compensation to board members/ number of board members receiving (5)	$245,000 5	$905,000 10	$960,000 11	$960,000 11

Source – UMGC Ventures, Inc. (including AccelerEd and HelioCampus) IRS Form 990
(1) Fiscal year 2020 revenue reflects sale of HelioCampus
(2) Fiscal year 2020 expenses reflect $16 million dollar donation to USM Foundation
(3) Reportable on W-2 or 1099 IRS forms
(4) Individual employee bonuses and incentive compensation ranged between $7,380 and $120,000
(5) Individual Board member compensation for the year ranged between $20,000 and $105,000, and Board members' average weekly hours ranged between 5 and 12 according to Form 990. In fiscal year 2022, there were a total of seven board members, including two uncompensated members.

Finding 1
We identified certain activities that raise questions as to whether UMGC's continued relationship with Ventures and its affiliates is in the best interest of UMGC and the State, including being the primary revenue source for Ventures and AccelerEd.

Analysis
UMGC has not conducted a formal comprehensive and documented evaluation, including a detailed cost benefit analysis, of whether UMGC Ventures, AccelerEd, and HelioCampus are meeting their intended purpose, goals, and objectives, in the most effective manner. At the time of our review, more than six years had passed since creation of these three entities by the BOR. Our review disclosed certain conditions that raise questions about whether UMGC's continued use of the entities are in the best interest of the State.

- UMGC has been the source for almost all of AccelerEd's revenue since its creation in 2017. According to Ventures' audited financial statements for fiscal years 2017 to 2022, between 91 and 99 percent of Ventures' consolidated revenue for those years came from UMGC, the vast majority of which was for information technology services provided to UMGC by Ventures' subsidiary AccelerEd. According to its audited financial statements, Ventures' revenue during fiscal years 2017 to 2022 totaled $215.3 million of which UMGC paid $198.1 million for services from AccelerEd. Although established in 2016 (Ventures) and 2017 (AccelerEd) with expectations of marketing and providing services to other institutions for a fee, we concluded from the above financial information that Ventures and AccelerEd remain solely dependent on UMGC for their continued existence, given that almost all their revenue is obtained from UMGC operations.

- UMGC could not explain critical aspects of Ventures' sale of a controlling interest in HelioCampus in December 2019. Despite our request, UMGC management could not explain the basis for the sale, how the buyer and sales price were identified, whether there were other potential buyers, or the basis for distribution of the sales proceeds ($26.3 million).[5] Although UMGC created HelioCampus and provided $10 million in start-up funding as its sole investor, UMGC management advised us that they were "not privy to specific documents related to the valuation and/or sale".

[5] $16 million donated to USM Foundation for UMGC purposes; the remainder retained by Ventures.

- Ventures made a $1.1 million capital contribution to HelioCampus after the sale of the controlling interest that was not subject to review and approval by UMGC. The ownership interest in HelioCampus retained by Ventures after the sale (21.1 percent) had a fair value of $10 million at June 30, 2020 according to Ventures' fiscal year 2020 audited financial statements. In July 2020, Ventures elected to make an additional $1.1 million capital contribution which, due to the issuance of additional ownership shares, was necessary to maintain its same ownership percentage at that time. Despite the significance of this decision, it was not subject to review and approval by UMGC. Furthermore, as of June 30, 2022, the fair value of Ventures' interest had declined to $7.1 million due to losses incurred by the company.

Considering the elapsed time and critical activity that has occurred since these entities were first established by the BOR; the $25 million in start-up funding provided by UMGC; Ventures' (and its subsidiaries) almost sole reliance on UMGC for business, coupled with UMGC's lack of oversight of Ventures' operations; as well as the other findings regarding these initiatives we have included in this report, we believe that the current relationship might not be in the best financial or operational interest of the State, USM or UMGC.

Recommendation 1

We recommend that UMGC, in conjunction with USM,

a. **conduct periodic formal, documented, comprehensive evaluations, including a cost benefit analysis, to determine the extent to which the intended purpose, objectives, and goals of creating UMGC Ventures, AccelerEd, and HelioCampus, and placing AccelerEd and HelioCampus within Ventures have been achieved;**
b. **review the aforementioned Ventures' activity to ensure that the related funds were used as intended;**
c. **determine if any adjustment to its relationship with and continued use of these entities is warranted, for example whether any services should be brought back in-house; and**
d. **update the USM BOR on the results of the evaluations and any resulting adjustments.**

Finding 2
UMGC obtained information technology (IT) services from Ventures and its subsidiaries totaling approximately $184.1 million during November 2018 to December 2022 without competitive procurement and without verifying that the amounts paid were proper.

Analysis
UMGC obtained information technology (IT) services from Ventures and its subsidiaries totaling approximately $184.1 million during November 2018 to December 2022 without using a competitive procurement process and without any verification that the amounts paid were proper. Contrary to its assertions that Ventures is an independent entity beyond UMGC oversight or control, UMGC advised us that, because Ventures is a supporting organization to UMGC it has outsourced all its IT functions to Ventures without considering any other vendors for the work. Consequently, we concluded that effectively UMGC has utilized a sole source procurement method, and without adequate justification beyond its claim that Ventures is a supporting organization. State law and USM policy do not require (but also do not expressly prohibit) an institution to use a competitive procurement process when acquiring services normally provided by a HIEDA entity established by the institution, such as Ventures. However, competitive procurement is a generally accepted best practice for significant purchases and helps to ensure that the most capable vendor is obtained at a competitive cost (that is "best value" is obtained for State funds spent).

- UMGC did not attempt to competitively procure IT services, and instead depended solely on Ventures to, according to UMGC, ensure that the best qualified and most advantageous vendor was obtained for required IT tasks. Furthermore, UMGC, citing the aforementioned IRS regulations, would not provide us with procurement policies and procedures, if any, used by Ventures or AccelerEd to ensure their own use of the most advantageous vendor and subcontractors. This lack of involvement in the procurement and vendor/subcontractor selection process may have contributed, at least in part, to UMGC's loss of millions of dollars from a failed AccelerEd subcontract discussed in Finding 3.

  We did find that written agreements between UMGC and Ventures required Ventures to use AccelerEd for UMGC's IT needs rather than permit a competitive procurement process. Meaning, UMGC was dictating the use of AccelerEd for its work regardless of capabilities or cost. In July 2019, UMGC entered into a Master Professional Services Agreement with Ventures to use AccelerEd for managed professional services based on individual statements of work (SOWs). The first SOW (SOW 1) required AccelerEd to

provide comprehensive IT services to support UMGC operations at an annual fixed price, which in the aggregate totaled $142 million for fiscal years 2020 to 2023. As of December 31, 2022, UMGC had also paid Ventures $28.6 million for six additional SOWs for certain other IT services and projects, four of which were to be provided by AccelerEd and a specifically named third party subcontractor. UMGC's Professional Services Agreement with Ventures expired in June 2023, but was extended for one year, including an extension of SOW 1 at a cost of $38.4 million.

- Invoices received from Ventures for IT services did not include a breakdown of costs incurred and services provided for the period, restricting UMGC's ability to monitor those costs and services which it received from Ventures. For example, for SOW 1 UMGC was simply billed each quarter for 25 percent of the total fixed price for the applicable year. In our opinion, the use of a fixed price contract, under a no-bid contractual arrangement does not mean that there is no need for related invoices to provide a level of information and data regarding what services were provided for the period and the applicable costs. Such information would be useful in determining the future continuance of this arrangement, appropriate costs, and the practicality or potential value to UMGC of obtaining future services under a competitive bid process. Furthermore, UMGC did not obtain written estimates for additional IT services as required by the Master Professional Services Agreement.

- UMGC did not verify the propriety of contingency fees charged by AccelerEd. The fixed price for each year of SOW 1 with AccelerEd included a contingency fee of 10 percent of total costs, which totaled $11.3 million between fiscal years 2020 and 2023. UMGC advised that the fee was for unexpected business activity. In response to our inquiries about the necessity of the fee and whether unused fees had been refunded, UMGC refused to provide any information or documentation other than to say that the agreement was fixed price (in other words the fee was billed and paid yearly). We question whether a yearly contingency fee, which ranged between $2.9 million and $3.1 million during the aforementioned period, should be automatically included in each year's fixed price without a specific determination of actual need and use.

In June 2022, an independent vendor was contracted by Ventures to conduct a fair market value assessment of services provided by AccelerEd to UMGC based on publicly available data. The vendor reported that UMGC's cost for IT services is within fair market value range when compared to other predominantly online institutions. However, this conclusion does not ensure that UMGC is receiving IT services in the most cost-effective manner. Furthermore, the report identified

numerous key components of SOWs and contracts between institutions and information technology service providers that were not included or included only on a limited basis in UMGC's agreement with Ventures for AccelerEd work, such as receiving credit for any instance of non-performance and a clear definition of services included in the scope.

Recommendation 2
We recommend that UMGC

a. **take steps to ensure IT services are procured on a competitive basis;**
b. **adjust its Professional Services Agreement to require Ventures to provide documentation of the steps it takes to find the best qualified and most advantageous vendors for each SOW;**
c. **ensure that invoices include a breakdown of services provided and costs incurred for the period;**
d. **discontinue the use of contingency fees without a clear definition of permitted usage, a requirement to report usage, and clarification as to the disposition of unused fees; and**
e. **include the key components identified by the aforementioned vendor's report in future SOWs.**

Finding 3
UMGC did not adequately monitor an IT project being developed for its use by Ventures, which was ultimately determined to be unusable and abandoned after UMGC expended $25.7 million.

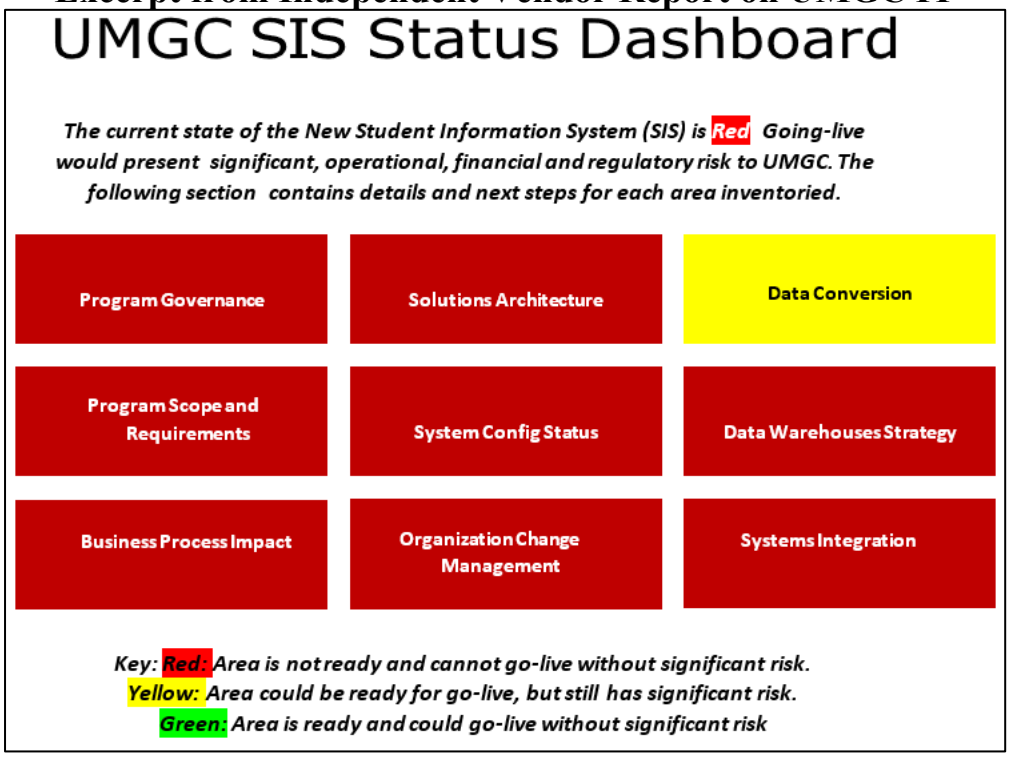
Analysis
UMGC did not adequately monitor an IT project intended to establish a new student information system (SIS) for UMGC's use, which was ultimately determined to be unusable and abandoned after $25.7 million was paid to Ventures by UMGC. In July 2018, UMGC contracted with AccelerEd (under its Professional Services Agreement with Ventures) to replace its current SIS at an expected cost of $19 million plus licensing costs, which were later determined to be $2.6 million for a total cost of $21.6 million. AccelerEd subcontracted the work on the project to a third party. The initial go-live target date for the project was January 2020, and UMGC received periodic status reports from AccelerEd which addressed, for example, status of completion and projected timelines. Although the initial go-live date had to be extended several times, status reports from AccelerEd did not reflect concerns that successful completion of the project was in question.

The project was stopped and cancelled in June of 2021 after an independent vendor prepared a report[6] for UMGC and Ventures outlining significant deficiencies with the current status and direction of the project. At that point, project costs had reached $25.7 million. Even though the independent vendor's findings identified numerous significant project oversight and management issues related to Ventures and its affiliate, that in our opinion directly contributed to the project failure, UMGC did not pursue or attempt to obtain a refund or liquidated damages from Ventures or its subcontractor. According to UMGC, no part or function of that system was implemented. UMGC advised us that it subsequently used its existing SIS vendor to update its SIS at a cost of $719,000, a step that did not provide the functionality anticipated under the abandoned system, but was necessary to ensure the continued orderly processing of student financial aid.

We also found that UMGC did not require periodic independent reviews of the project. In an April 2021 status report from AccelerEd, a go-live date of November 1, 2021 was proposed. At that time, an independent vendor was hired by Ventures to determine the current status of the project and whether a go-live date of November 1, 2021 was achievable. As noted in Figure 3 on the following page, the vendor identified significant issues with the project. Specifically, eight of nine project areas it examined were not ready to go live without significant risk. The report stated that "going-live would also present significant, operational, financial and regulatory risk to UMGC". As further described in Exhibit 1, the report also expressed concerns regarding basic project governance exercised by Ventures on UMGC's behalf and advised that the current structure had prevented any real oversight by UMGC, and that a restructuring would be required so that UMGC would have ownership of the project, guide it, and have accountability for its success.

[6] Approval was obtained from UMGC to include Exhibit 1 in our public report.

Figure 3*
Excerpt from Independent Vendor Report on UMGC IT



* In accordance with our policy, we have edited the independent vendor's report shown in figure 3 to remove vendor names, logos, products, and other identifying information.

Source: Agency records

UMGC's agreement with Ventures does not provide for liquidated damages, and we were unable to determine if agreements between Ventures and AccelerEd or AccelerEd and its subcontractor provided for damages since, as previously noted, UMGC would not provide us with any agreements or contracts between those parties citing IRS regulations relating to Ventures' tax-exempt status. Absent any provision for liquidated damages, it appears that no portion of the $25.7 million expended will be recovered by UMGC (or USM).

Recommendation 3
We recommend that UMGC

a. ensure that contracted services are routinely, adequately, and independently monitored and evaluated to help ensure the proper and timely receipt of all required deliverables;

b. ensure that a provision for liquidated damages for non-performance is included in its contracts; and

c. consult with legal counsel regarding the potential for collecting liquidated damages relating to the closed SIS project noted in this finding.

Advertising Contracts

Background

In January 2019, UMGC competitively procured two advertising master contracts totaling $500 million, each with a six-year term, as part of a public relations campaign to increase out-of-state enrollment. The contracts had a total of nine vendors (four on one contract and five on the other) that met specific technical qualifications to provide various on-line and off-line marketing services. This resulted in a pool of pre-qualified vendors with differing cost structures and rates from which UMGC could obtain advertising services as needed. According to UMGC, these contracts were part of a marketing campaign to increase enrollment from outside of the Maryland; Washington, DC; and Virginia region. UMGC paid $175.4 million related to these contracts between February 2019 and December 2022. According to UMGC's records, and as indicated in Figure 4, UMGC's total student enrollment decreased and non-Maryland student enrollment fluctuated relatively little between fiscal years 2019 and 2022.

Furthermore, the Department of Legislatives Services' analysis of UMGC's fiscal year 2023 operating budget addressed this national marketing campaign and noted that in the first year of the program Philadelphia was selected as a test market upon which $18 million was expended, but only 212 students were added. The analysis further noted that after "these lackluster results", UMGC reduced national spending and reviewed alternatives to meet enrollment growth goals.

Figure 4
Enrollment Fiscal Years 2019 to 2022

	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022
Maryland Resident	35,812	34,094	34,204	32,234
Non-Maryland Resident	55,573	56,567	55,700	54,348
Totals	**91,385**	**90,661**	**89,904**	**86,582**

Source: UMGC records

In addition, UMGC annually procured certain other digital and radio focused advertising services from a separate vendor. During fiscal years 2020 through 2023 the value of the annual sole source contracts with the vendor totaled $3.1 million (the individual annual contracts were valued at $475,000 for digital services and $300,000 for radio advertising).

Finding 4
UMGC did not have formal documented procedures for assigning work to pre-qualified vendors for two master advertising contracts totaling $500 million, and related statements of work were not sufficiently detailed to allow for effective monitoring by UMGC.

Analysis
UMGC did not have formal documented procedures for selecting vendors from the contracted lists to perform specific advertising services it wanted, such as the basis for selection and required documentation supporting the selection. In addition, a competitive procurement process within the prequalified vendors was not used. Although UMGC was initially going to request proposals for individual task orders from all eligible vendors, it subsequently removed that wording from the contracts, and now issues a statement of work (SOW) only to a selected vendor without obtaining proposals from all eligible vendors. We were advised by UMGC management that although the selection process is not documented, authorized employees made selections based on the vendors' initial technical proposals and a determination as to which vendor would be best suited for the specific service. However, this selection process did not document or ensure that the most cost-effective selection had been made for each task.

Furthermore, SOWs lacked a comprehensive description of the work to be performed, which precluded effective monitoring. Specifically, the SOWs required the selected vendor to provide strategy, planning, and purchasing of advertising in certain specified markets, but did not include the specific services or deliverables to be performed, such as the number of commercials to be aired, specific time frames, or specific media outlets. UMGC's SOWs also did not include performance measures to enable it to determine how successful the advertising services provided by the contractors were in increasing enrollment. UMGC advised us that these specifics are discussed with the vendor verbally, but without a formal record there is no basis to hold the vendor accountable and to ensure that all services and deliverables were received, as well as verify the level of success realized by the contracts. UMGC did advise us that vendors submitted weekly reports to aid UMGC in their monitoring of the vendor, but we noted that only one vendor's SOWs required these weekly reports.

Recommendation 4
We recommend that UMGC

a. establish formal procedures for selecting and assigning work to prequalified vendors, such as the basis for selection and required documentation supporting the selection;
b. use competitive procurement within prequalified vendors for individual tasks;
c. ensure that task orders or SOWs contain sufficient details to enable effective monitoring and receipt of requested services and deliverables; and
d. establish performance measures, such as impact on enrollment, when establishing SOWs to help direct future use of the contracts.

Finding 5
UMGC did not adequately justify two sole source procurements of advertising services and did not consolidate the procurements which we believe circumvented University System of Maryland (USM) *Procurement Policies and Procedures*.

Analysis
UMGC did not adequately justify annual sole source procurements of two advertising contracts with the same vendor[7], one for digital marketing services and another for radio advertising services, and did not consolidate the annual contracts for each service, which we believe circumvented USM approval requirements for these services. During fiscal years 2020 through 2023, UMGC repeatedly entered into annual sole source contracts with the vendor for $475,000 and $300,000. UMGC used similar justifications for both contracts each year and noted that UMGC could contract with other advertising vendors, but that this vendor was the only source with the level of market coverage and ability to reach military veterans and service members that UMGC wanted. However, our cursory search identified at least one other vendor, which stated it was able to provide similar services. UMGC's sole source justifications also inferred that price was a consideration, even though price is not to be considered a factor in justifying a sole source procurement. Furthermore, as noted in Finding 4, UMGC already had significant marketing contracts with other vendors valued at $500 million. UMGC advised that this additional vendor has a strong knowledge of the military market and was being used to develop military base-specific support;

[7] These contracts with this vendor were selected for review based on the material amount paid by UMGC for these contracts and the repeated use of this vendor and the same contracts from year to year.

however, this determination was not documented nor a factor included in the formal sole source justification.

UMGC's use of annual contracts for each service year, rather than multi-year contracts appeared to circumvent certain USM and BPW approval requirements. Specifically, USM's *Procurement Policies and Procedures* require approval from the USM Vice Chancellor of Administration and Finance for sole source procurements over $500,000 and BPW approval is required for contracts that exceed $1 million.

During the four-year period, the digital marketing services and the radio advertising services contracts totaled $1.9 million and $1.2 million, respectively, and therefore would have required the approval of the USM Vice Chancellor and BPW if they were procured as multi-year contracts.

Recommendation 5
We recommend that UMGC comply with *USM Procurement Policies and Procedures* regarding sole source procurements. Specifically, we recommend that UMGC

a. ensure that the sole source procurement method is used only when a single vendor can meet the contract requirements, and adequately document the sole source justification; and
b. consolidate sole source procurements for the same services and obtain required approvals when total procurement amounts exceed established limits.

Cash Receipts

Finding 6
UMGC did not adequately control and account for collections, which totaled $7.3 million in fiscal year 2022.

UMGC did not adequately control and account for collections received in the mail, which, according to State records, totaled approximately $7.3 million during fiscal year 2022. Collections generally consisted of payments toward tuition.

- Checks received by mail were not always recorded in the check log to establish accountability over the funds. We selected 10 days[8] of collections

[8] We selected days, primarily from fiscal year 2022, that included the receipt of material checks from the check log and matched each day's recorded collections to the deposits for the respective days.

totaling approximately $1.2 million from the check log and noted that the amount deposited for those days totaled approximately $2 million which exceeded the amount recorded in the log by $800,000. We determined and UMGC management subsequently confirmed, that the $800,000 difference was due to certain deposited checks not being recorded in the log as required. A complete and accurate initial recording of checks is critical for accountability and to help ensure that all checks received were subsequently deposited.

- UMGC's deposit verification procedures were not sufficient to ensure that all checks received were properly deposited, because the aforementioned check log was not used in this process, and the employee who performed the verification also deposited the checks. Specifically, the employee who performed the deposit verification did not compare the validated deposit documentation received from the bank to the initial source documents (check log). Rather, the bank deposit documentation was compared to a summary of receipts prepared from checks received after their recording in the check log and prior to entry into UMGC's financial system. Comparison to the initial source documents is necessary to ensure that all checks received were deposited. Furthermore, the employee who made this comparison also remotely deposited the checks, and therefore was not sufficiently independent of the process.

Because of the aforementioned conditions, errors or other discrepancies could occur without timely detection. The Comptroller of Maryland's *Accounting Procedures Manual* requires the initial recordation of checks immediately upon receipt, and that receipts recorded on initial source documents be traced to deposit by an employee independent of the cash receipts function.

Recommendation 6
We recommend that UMGC

a. record all checks received in the mail immediately upon receipt, and
b. ensure that deposit verifications are performed by an employee independent of the cash receipts functions using initial recordation documents.

Student Residency Status

Finding 7
UMGC's procedures for reviewing residency changes were not sufficiently comprehensive, resulting in 67 percent of residency changes not being subject to independent review and approval.

Analysis
The majority of UMGC's residency changes were not subject to any independent review and approval. For tuition purposes, UMGC students are classified as an in-state resident, an out-of-state resident, or as military. Although UMGC used output reports to verify the propriety of residency classifications and changes, not all changes were subject to review and approval. For example, a change to in-state status was included on the output reports only if the change was made during the fall semester of the academic year, and no changes to in-state or military status impacting a previous semester were included on the reports. Such retroactive changes can occur when a student subsequently submits documentation to show that they were in the military or a Maryland resident for a previous semester and their tuition charges are updated accordingly. According to UMGC records, 25,609 of the 38,454 changes (67 percent) occurring between October 2018 and December 2022 were a retroactive or spring semester change and not subject to UMGC's output review process. Our testing of five residency changes not subject to independent review and approval did not disclose any improper changes.

Ensuring that students are assigned the correct residency status has a financial implication to UMGC since tuition costs charged to a student can vary greatly depending on the assigned status. For example, the undergraduate tuition rate for students with military status was $250 for each credit taken during the fall 2022 term, whereas the undergraduate tuition rate for students with in-state status was $312 for each credit and out-of-state status was $499 for each credit.

According to its records, during fiscal year 2022, UMGC's tuition revenue totaled $352.9 million, of which $59.6 million was for students with military status and $112.4 million was for students with in-state residency status. During the spring 2023 semester, 14,362 and 16,627 (33 and 39 percent) of enrolled students at UMGC were classified as military and in-state, respectively.

Recommendation 7
We recommend that UMGC ensure that all residency status changes made are subject to independent review and approval by ensuring that all such

changes are included on output reports currently used to conduct those reviews.

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the University System of Maryland (USM) - University of Maryland Global Campus (UMGC) for the period beginning October 1, 2018 and ending December 31, 2022. 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 UMGC's financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk. The areas addressed by the audit included purchases and disbursements, UMGC's monitoring of UMGC Ventures, student accounts receivable, cash receipts, corporate purchasing cards, information systems security and control, payroll, and student financial aid. We also determined the status of the findings contained in our preceding audit report.

Our audit did not include an evaluation of financial transactions, records, and internal controls and an assessment of compliance with State laws, rules, and regulations with respect to UMGC's Asian and European Divisions. These Divisions, which according to UMGC's records accounted for approximately 2.0 percent and 1.6 percent of UMGC's fiscal year 2022 revenues, respectively, are reviewed on a triennial basis by the USM internal auditors on whose work we relied to reduce the scope of our audit work.

In addition, our audit did not include certain support services provided to UMGC by the USM Office, such as endowment accounting, and by the University of Maryland, College Park (UMCP), such as capital project management. These support services are included within the scope of our audits of the USM Office and UMCP, respectively. Furthermore, our audit did not include an evaluation of internal controls over compliance with federal laws and regulations for federal financial assistance programs and an assessment of UMGC's compliance with those laws and regulations 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.

Our assessment of internal controls was based on agency procedures and controls in place at the time of our fieldwork. Our tests of transactions and other auditing procedures were generally focused on the transactions occurring during our audit period of October 1, 2018 to December 31, 2022, but may include transactions before or after this period as we considered necessary to achieve our audit objectives.

To accomplish our objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, tests of transactions, and to the extent practicable, observations of UMGC's operations. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk, the timing or dollar amount of the transaction, or the significance of the transaction to the area of operation reviewed. As a matter of course, we do not normally use sampling in our tests, so unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, unless sampling is specifically indicated in a finding, the results from any tests conducted or disclosed by us cannot be used to project those results to the entire population from which the test items were selected.

We also performed various data extracts of pertinent information from the State's Financial Management Information System (such as revenue and expenditure data) and the State's Central Payroll Bureau (payroll data), as well as from the contractor administering the State's Corporate Purchasing Card Program (credit card activity). The extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine data reliability. We determined that the data extracted from these sources were sufficiently reliable for the purposes the data were used during this audit.

We also extracted data from UMGC's financial systems for the purpose of testing certain areas, such as financial aid and student accounts receivable. We performed various tests of the relevant data and determined that the data were sufficiently reliable for the purposes the data were used during the audit. Finally, we performed other auditing procedures that we considered necessary to achieve our audit objectives. The reliability of data used in this report for background or informational purposes was not assessed.

UMGC'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. As provided in *Government Auditing Standards*, there are five components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. Each of the five components, when significant to the audit objectives, and as applicable to UMGC, were considered by us during the course of this audit.

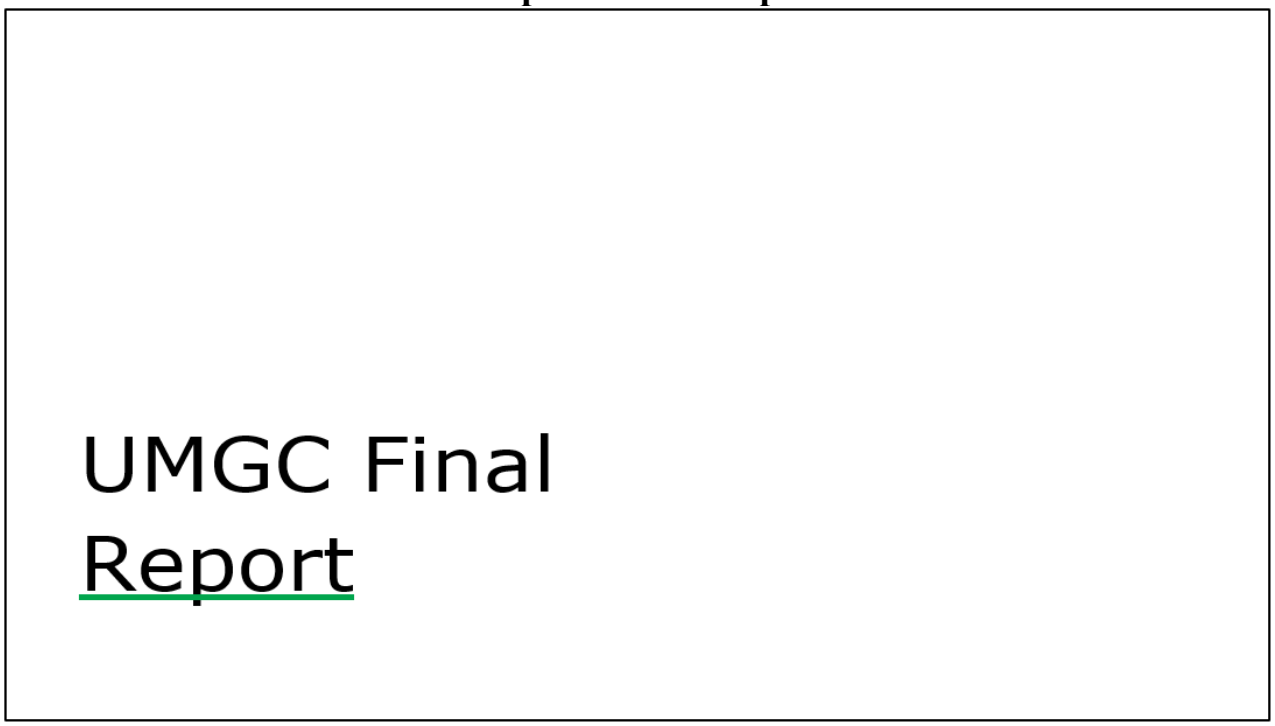
Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

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.

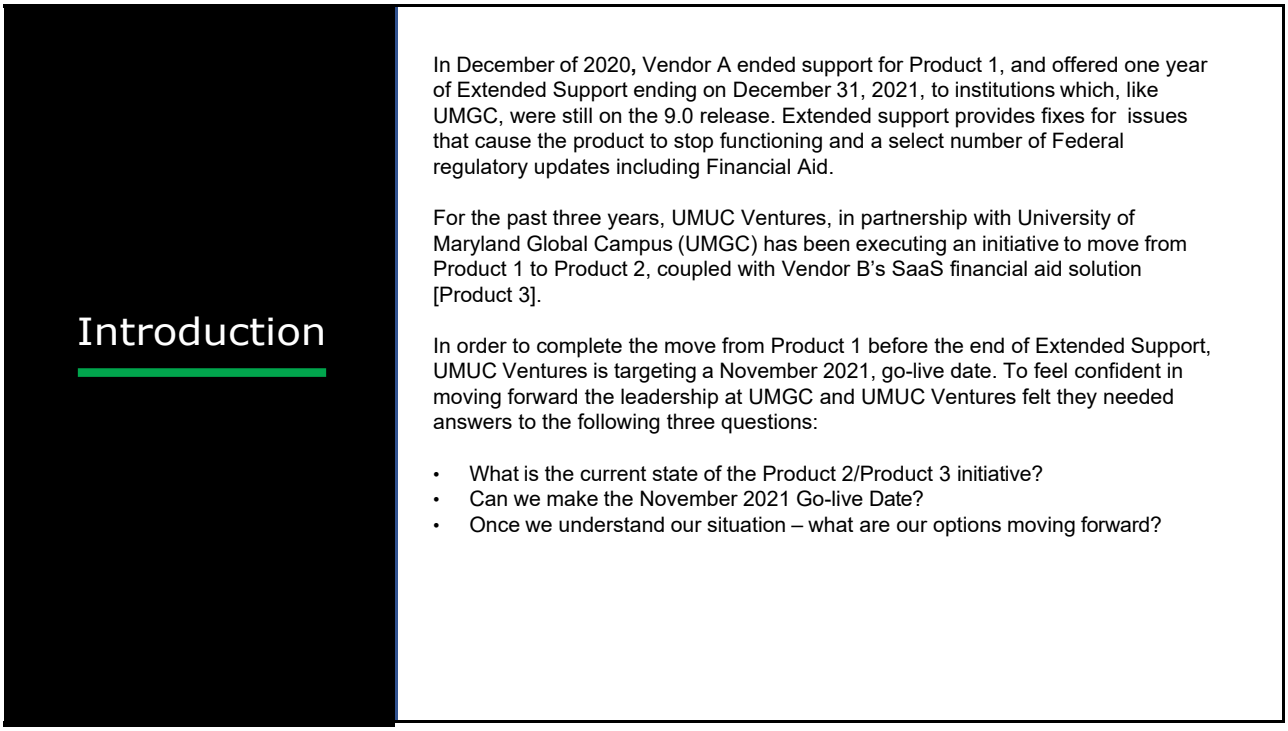
This report includes findings relating to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect UMGC's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws,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

The response from the USM Office, on behalf of UMGC, 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.

Exhibit 1[9]
UMGC Final Report from Independent Vendor



1



2

[9] In accordance with our policy, we have edited the independent vendor's report to remove vendor names, logos, products, and other identifying information.

Exhibit 1
UMGC Final Report from Independent Vendor

Introduction

In order to answer these three questions, UMUC Ventures and UMGC engaged the Independent Vendor to complete an inventory of the current state of the program in the following areas:

- Program Governance
- Solutions Architectures
- Data conversion and migration
- Program Scope/Requirements
- System Configuration Status
- The Data Warehouse strategy and impacts
- Impact of the initiative on key business processes
- Organizational Change Management strategy
- System Integrations

In order to complete this inventory, between April 26 and May 7 the Independent Vendor reviewed documentation provided by UMGC and UMUC Ventures and interviewed 18 stakeholders. Stakeholders interviewed were from UMGC, AccelerED, and Helio Campus. Interviews also included program leadership and liaisons from the [Vendor C and Vendor B] vendors.

This document is a result of our interviews.

3

Summary

Overview
- Engagement Status
- Foundational Challenges

The Independent Vendor identified significant issues in each area of our inventory. There is not enough time to effectively resolve theses issues. Consequently, the Product 2/Product 3 initiative will not be ready for a November 2021 Go-Live. Going-live would also present significant, operational, financial and regulatory risk to UMGC.

Effective governance is the solid foundation of any successful initiative. However, in the Product 2/Product 3 initiative there is simply no governance or control over the Program. Key decisions are made that have significant impacts on areas of the program and UMGC without any clear, structured decision process.

Successful initiatives are led by the business to meet the institution's strategic goals. It is the institution that owns and drives the initiative. Currently relationships with Vendor C and Vendor B are with AccelerED and not UMGC. As a result, this has become an "IT driven" program. UMGC does not have clear ownership of the initiative and is not able to guide it to meet its strategic goals.

There is no agreed upon scope or requirements documentation on what Product 2, Product 3, and AccelerED deliver. Without clear scope and set of requirements, it is impossible to determine what will be delivered in November and how it will operate. Furthermore, it is difficult if not impossible to validate all configurations are complete, all needed data had been converted and the solution will deliver the functionality the UMGC needs to operate.

4

Exhibit 1
UMGC Final Report from Independent Vendor

Summary

These foundational challenges are both structural and operational. Their impacts are felt in each area the Independent Vendor inventoried, preventing nearly all areas from being able to make the November 2021 Go-live. UMGC, UMUC Ventures, and the solution vendors should pause the Product 2/Product 3 program to take the following steps to be able recalibrate and make a new go-live date.

Key Next Steps

The program needs to be structured so that UMGC has ownership of the Product 2/Product 3 initiative, guides it and has accountability for its success. UMGC and UMUC Ventures needs to agree on and implement a governance framework to control all areas of the Product 2/Product 3 initiative. The structure should have a clear set of decisions rights on who can make what decisions and how those decisions will be determined, communicated and implemented.

UMGC, AccelerED, Vendor C and Vendor B must agree to and clearly document the scope and functionality that will be delivered. If possible, this process should be guided by an independent third party. This document needs to describe the planned functionality in sufficient detail to become basis of the Go/No-Go decision checklist. Use this document to verify the progress of each area and develop new project schedule to confirm a new Go-live date.

UMGC and UMUC Ventures need to either negotiate a longer extended support contract with Vendor A or engage a vendor who can provide regulator updates and key fixes to the Product 1 until Product 2/Product 3 are live.

Review and resolve the issues identified in each area of the inventory. This is a complex program, and all areas must operate smoothly with clear goals.

5

UMGC Product 2 Status Dashboard

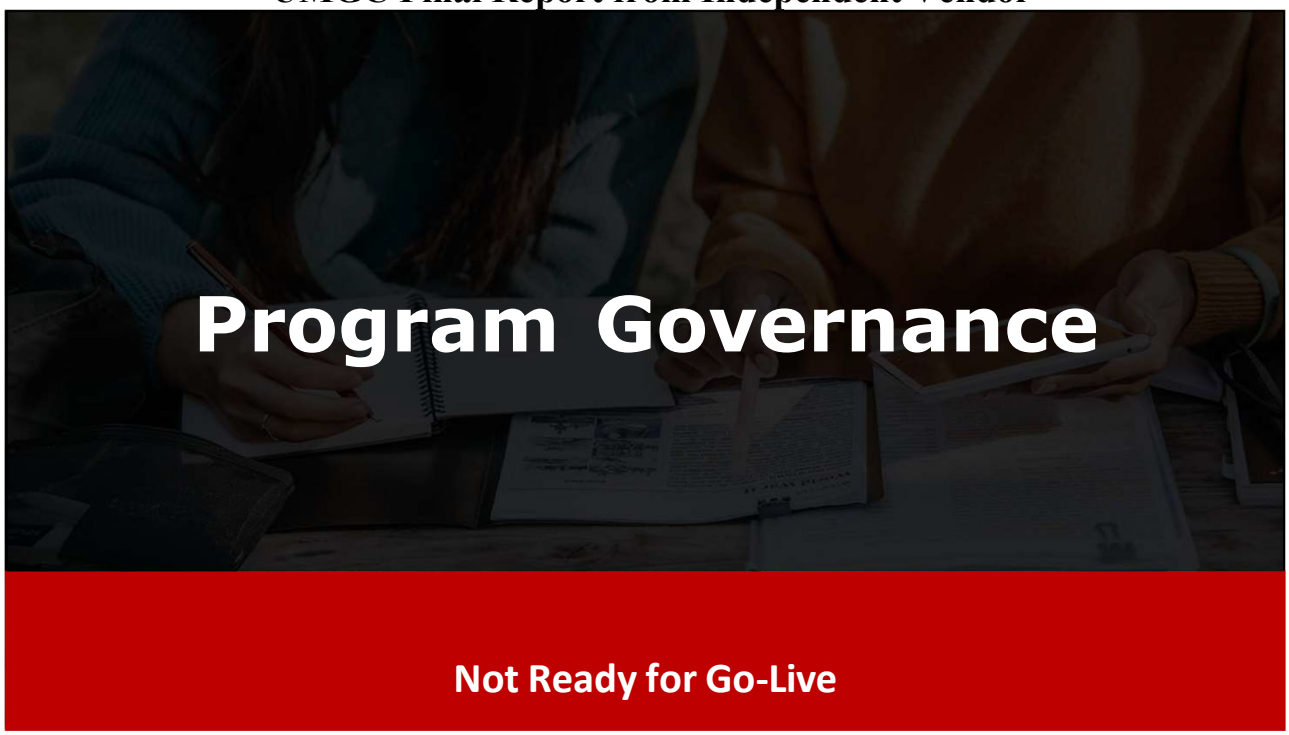
The current state of the Product 2/Product 3 Program is Red Going-live would present significant, operational, financial and regulatory risk to UMGC. The following section contains details and next steps for each area inventoried

Program Governance	Solutions Architecture	Data Conversion
Program Scope and Requirements	System Config Status	Data Warehouses Strategy
Business Process Impact	Organization Change Management	Systems Integration

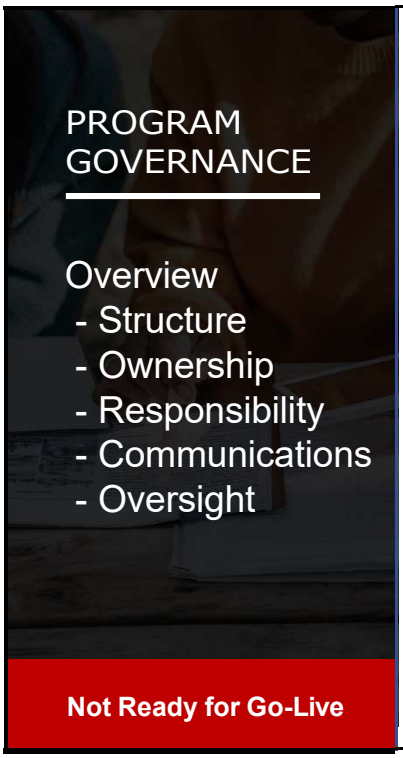
Key: Red: Area is not ready and cannot go-live without significant risk.
Yellow: Area could be ready for go-live, but still has significant risk.
Green: Area is ready and could go-live without significant risk

6

Exhibit 1
UMGC Final Report from Independent Vendor



7



Governance might be one of the most important aspects of any successful engagement. It is a program's solid foundation, driven by a well-defined organizational structure with clear hierarchy, ownership and responsibility. Governance is built on clear vision, mission and clarity that is communicated through all levels and structure of the organization. Through our discussion and research, true governance of this engagement is glaringly missing. The current engagement has no strong governance in place to manage a complex project like the Product 2/Product 3 initiative.

The vendor contracts are with AccelerED and AccelerED contracts with UMGC. This structure prevents any direct communication between the vendor and functional users. Business requirements are communicated from UMGC through AccelerED to the vendor.

As a result, this is an IT led project. Key decisions are made by AccelerED team that will impact UMGC without stakeholders' involvement. The current structure of the Product 2/Product 3 Program prevents any real oversight by UMGC.

8

Exhibit 1
UMGC Final Report from Independent Vendor



In the original Product 2 charter, UMGC has not defined a governance framework. The governance framework guides your ERP project team, decision-making, risk management, and other key components of your project including ensuring executive and project team alignment. The project governance framework is the core guardrail that prevents the UMGC project from drifting off course, scope creep, missed requirements and poorly designed solutions. Governance puts UMGC in control of the project so it can guide it to successfully meet the business' needs. Simply put, without governance there is chaos.

This project is being driven by AccelerEd and not by UMGC. AccelerEd goal is focused on switching off of Product 1 by 12/31/20 and not ensuring business needs are being met.

There is no identified individual that has overall responsibility for the project and who is the accepted 'face' of the UMGC project.

For example,

- No clear decision matrix or RACI chart that lays out roles and responsibilities and decision rights for the engagement.
- Development is disjointed in terms of purpose and not strategically discussed with stakeholders. The flexibility to stand up apps, is creating a system that may make the system complex and costly and in the long run difficult to maintain.
- Modules are built, apps are created, third party solutions are acquired without a review of need or impact, or coordination with users or other areas of the Product 2 project

9



Impact:
The current state of the Product 2/Product 3 engagement is a direct result of the current lack of governance.

Mitigation:

Update engagement structure so that UMGC is leading the initiative. Ideally vendor contracts should be between UMGC, Vendor C, and Vendor B. UMGC should then contract with AccelerED to deliver the solutions.

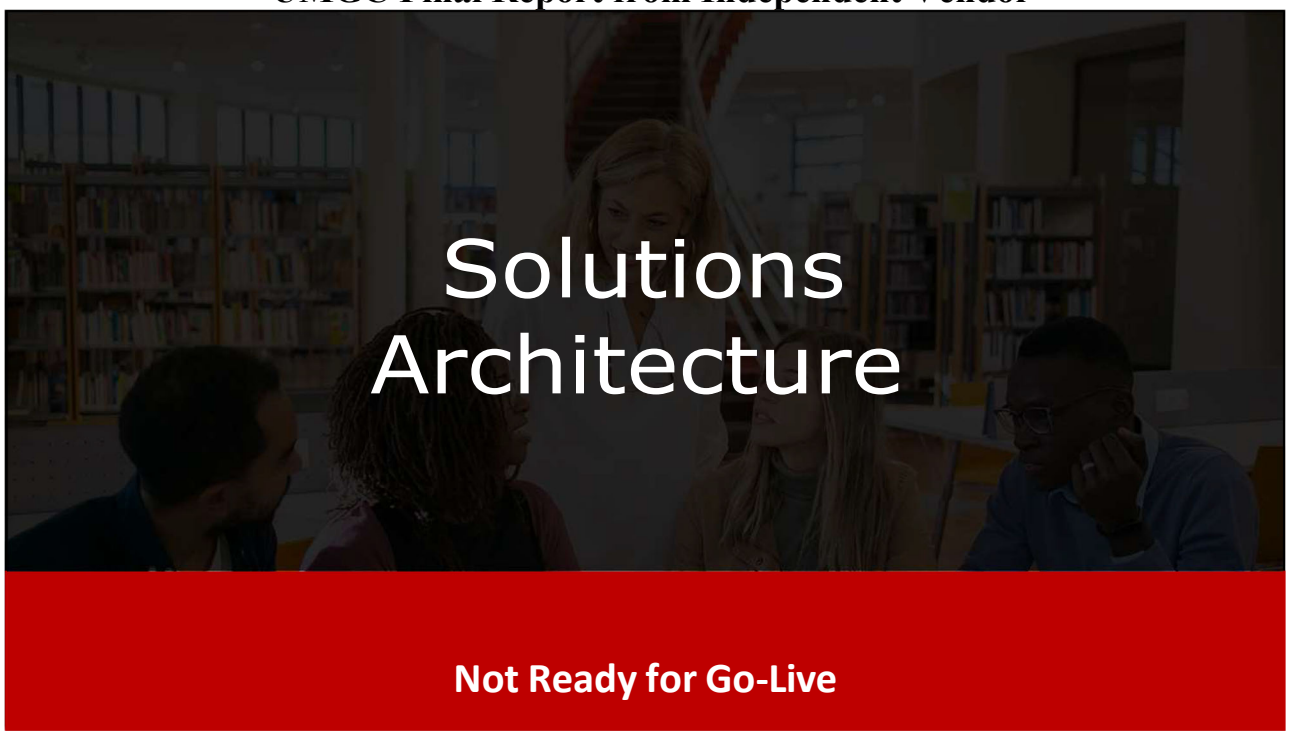
Develop a project charter for the Product 2/Product 3 initiative that addresses, decision rights, issue management, a RACI matrix, change control processes, and documented strategies for the key areas of Development, Configuration, Conversion, System Architecture, Solutions Architecture, Data Management, and Organizational Change Management.

Key Steps Forward:

- Identify a Senior Sponsor who has ultimate ownership of the Program.
- Develop a clear Requirements Traceability Matrix.
- Agree on AccelerEd implementation methodology and document project plans and schedules accordingly.

10

Exhibit 1
UMGC Final Report from Independent Vendor



11



The original goal of the Product 2 initiative was to replace UMGC's aging heavily modified Product 1 application with a single solution. Product 2 was selected with the understanding that out of the box it provided 97% of the functionality delivered in Product 1.

As the initiative progressed, gaps in the functionality were discovered and AccelerED and UMGC began to fill those gaps with third party vendors such as Vendor 2 for Financial, large bolt-ons for Military, and a series of apps. The result is it forced the adoption of a 'quasi' microservices strategy of separate but integrated solutions built upon a Product 2 platform core.

The goal of "vanilla" out of the box solution that would not be heavily modified has not been met. It has been replaced with a complex architecture that requires a mature enterprise architecture (EA) to ensure that the whole remains functional even during future refactoring.

12

Exhibit 1
UMGC Final Report from Independent Vendor



There is a heavy emphasis on integrations and interdependencies which require solid enterprise architecture and governance execution frameworks that are currently lacking. Key foundational software platforms have been changed mid-project, and new third party software is being purchased without ensuring the software will function with Product 2 or meet user's needs. We identified a commitment to EA 'principles', but no adoption of an actual EA framework with associated rigor. The Enterprise Architect is also the Technical Lead for the initiative. Each of these two roles are normally full-time positions.

Communication challenges between business stakeholders and program implementer results in reactive solutioning. AccelerED often does not involve business in solutioning.

The UMGC solutions architecture therefore appears to be evolving organically and without a clear overarching strategy beyond building missing functionality as a bolt-on using apps or purchasing of third-party solutions requiring integrations.

13



Impact:

Resource Support / Availability - Ensuring business continuity with a documented 171 integrations and 94 critical interdependencies between systems will demand a set of focus and skilled resources.

- The number of apps, third party software, and integrations will make maintenance and upgrades more difficult and increase total cost of ownership.
- A key goal of having a single system is lost with addition of multiple systems.
- Managing data across the architecture creates fragmentation across multiple systems making data management and analytics difficult.

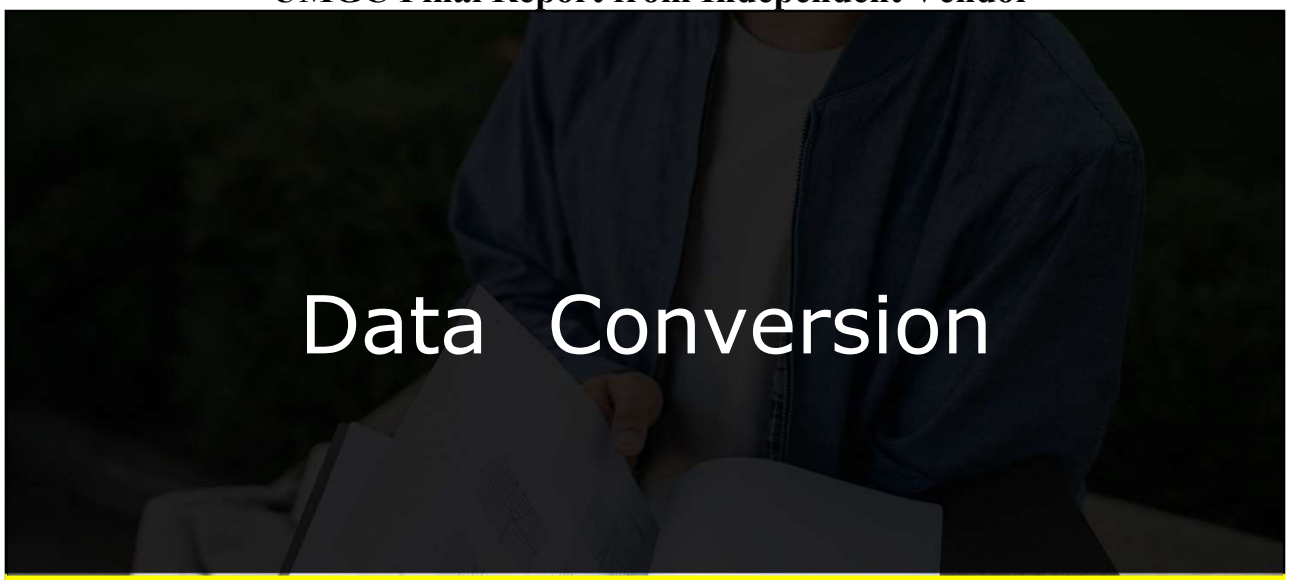
Mitigation:

Need a clear and comprehensive solution architecture strategy vetted and agreed upon by UMGC.

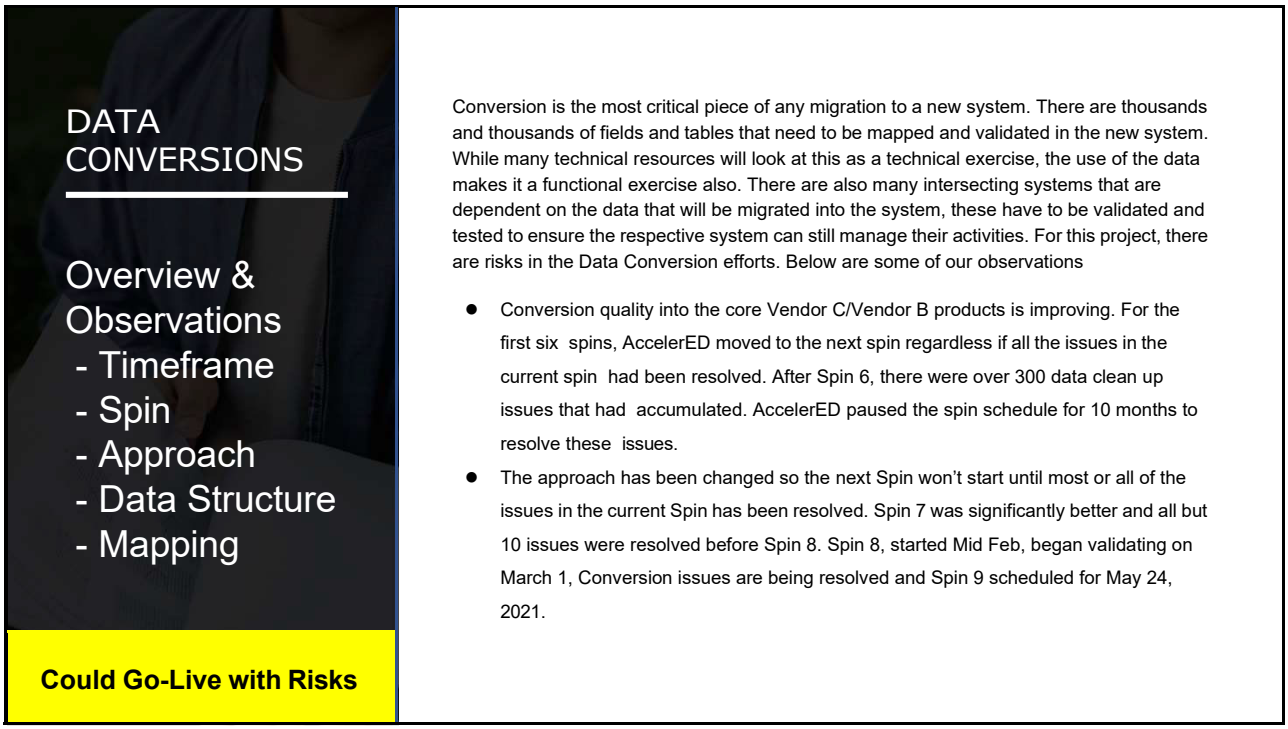
- Implement a robust enterprise architecture framework that guides UMGC through the business, information, process, and technology changes necessary to execute upon its strategic objectives.
- Implement a governance process to ensure the impacts of integrating outside solutions and apps on processes, data and technology, where cost of ownership are clearly understood and agreed to.

14

Exhibit 1
UMGC Final Report from Independent Vendor



15

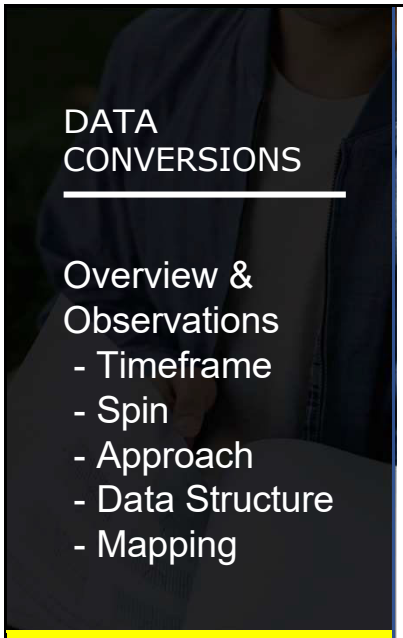


Conversion is the most critical piece of any migration to a new system. There are thousands and thousands of fields and tables that need to be mapped and validated in the new system. While many technical resources will look at this as a technical exercise, the use of the data makes it a functional exercise also. There are also many intersecting systems that are dependent on the data that will be migrated into the system, these have to be validated and tested to ensure the respective system can still manage their activities. For this project, there are risks in the Data Conversion efforts. Below are some of our observations

- Conversion quality into the core Vendor C/Vendor B products is improving. For the first six spins, AccelerED moved to the next spin regardless if all the issues in the current spin had been resolved. After Spin 6, there were over 300 data clean up issues that had accumulated. AccelerED paused the spin schedule for 10 months to resolve these issues.
- The approach has been changed so the next Spin won't start until most or all of the issues in the current Spin has been resolved. Spin 7 was significantly better and all but 10 issues were resolved before Spin 8. Spin 8, started Mid Feb, began validating on March 1, Conversion issues are being resolved and Spin 9 scheduled for May 24, 2021.

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Exhibit 1
UMGC Final Report from Independent Vendor



- The AccelerED Conversion team is not familiar with Product 1 data structures and needs greater support from UMGC to clean and validate converted data. But there is a communication gap between the groups. AccelerED requested support to clean and validate data but did not receive the support needed. UMGC feels it is on AccelerED to clean and validate the data. In addition, UMGC has been slow to respond to data questions regarding new functionality that included in scope.

- The Military module has not seen any converted data. They require specific pieces of information such as date of service, station location, data required for reporting to the VA. Missing or incorrect data in this area is both an operational and compliance risk.

- New apps are being created and the conversion team does not know their data needs. Third party software has been purchased and again the data conversion does not have a complete picture of the new solution's data needs.

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Impact:

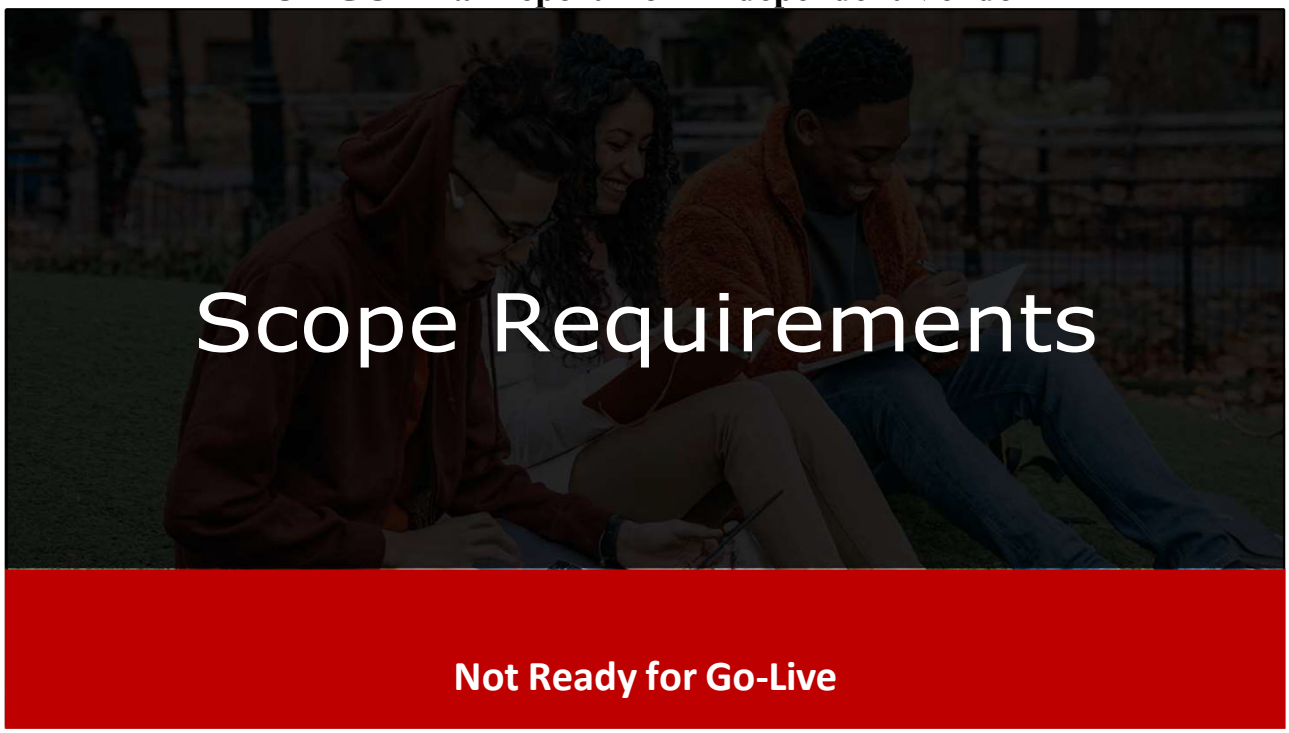
- The Data Conversion Spins are moving faster and the quality in each spin is increasing lowering the risk of poor data in core areas of the system.
- Due the lack of clarity for data requirements for apps, third party systems, and bolt-ons such as Military there is a risk that key data will be missing at go live. This opens UMGC to both significant operational, reporting and regulatory risks.

Mitigation:

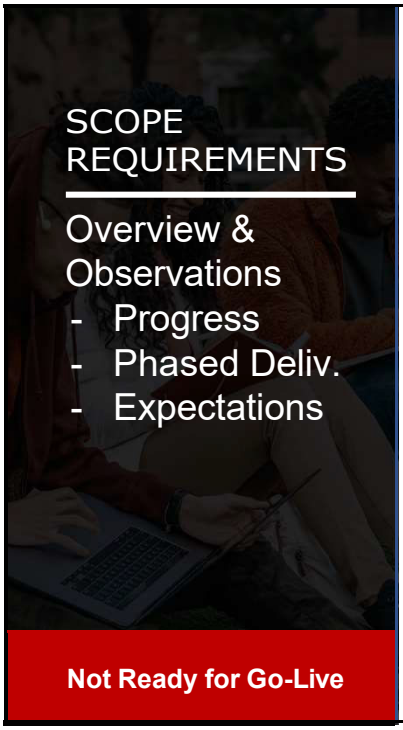
Pause the conversion. Inventory all the apps, bolt ons and third-party solutions. Document their data needs and map those needs back to the conversion process.

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Exhibit 1
UMGC Final Report from Independent Vendor



19



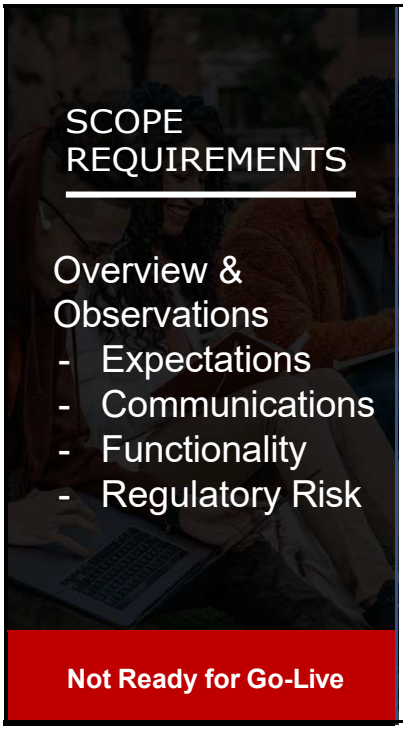
There is no documented definition of the project scope or complete documented list of requirements that AccelerED, Vendor C and Vendor B will deliver in the November go-live. This makes it impossible to track progress to plan, validate which functions are being delivered and do they meet requirements.

AccelerED has moved to a phased Go-live approach where they will deliver any functionality that is missing or not complete in future phases. The schedule and scope for these phases have not been set. The Functional Leads do not know exactly what will be delivered in Phase 1, and if it is not delivered then, when will the functions will be delivered. This makes training and resource planning impossible.

When we asked AccelerED what their understanding of scope UMGC was expecting, AccelerED repeatedly stated that UMGC's vision was still unrealistically high, and UMGC didn't understand they were only getting the very basics. When UMGC was asked about AccelerED's understanding of the scope to be delivered, UMGC they knew they were not getting everything, and are concerned that capabilities that are essential for UMGC to function were not going to be delivered.

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Exhibit 1
UMGC Final Report from Independent Vendor

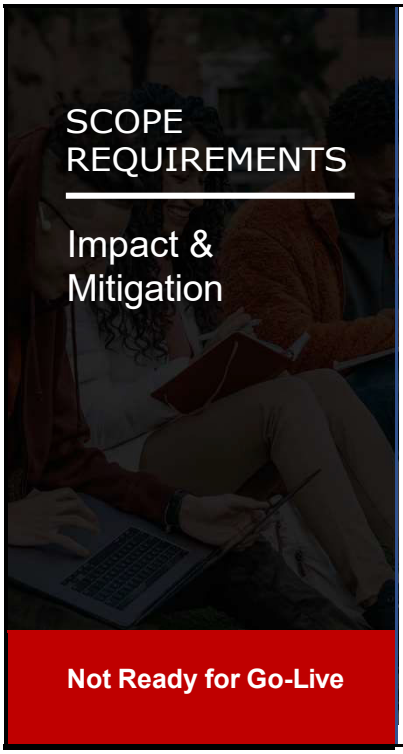


AccelerED and UMGC agree the goal is to "Replace the functionality in Product 1" but they don't agree on what that actually means. AccelerED's goal is to move off of Product 1 by December 31, 2021, when Vendor A support ends. Their definition of replacing Product 1 is being able to switch on a new system regardless if the system can deliver the base functionality of Product 1. UMGC's Functional leads definition is key functions in Product 2 will meet their business requirements as they did in Product 1.

Communication between UMGC on the status of requirements poor. Student Accounts has delivered their requirement three times and still do not know exactly what will be delivered. Records has identified a list of the 131 critical processes. As of the May 3, they have only seen the solution for 15 of those processes.

Functionality needed by UMGC to operate will not be delivered or their status is unclear. For example, The DPA report is still not completed, and it is unclear if it will be ready in time to be tested. This report has major dependencies in every area. It has been described as the crankshaft report of the University. Batch Enroll and Disenroll for Non-payment is not being delivered. Student Accounts is not clear on the status of 1098T reporting which is due soon after go live, which creates a major regulatory risk.

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Impact:
Without clear agreement on the requirements and capabilities that will be delivered in "Phase I" there is no way measure progress to plan and ensure required functionality is delivered. This makes it impossible to make an informed Go/No-Go decision that does not present a high risk to UMGC.

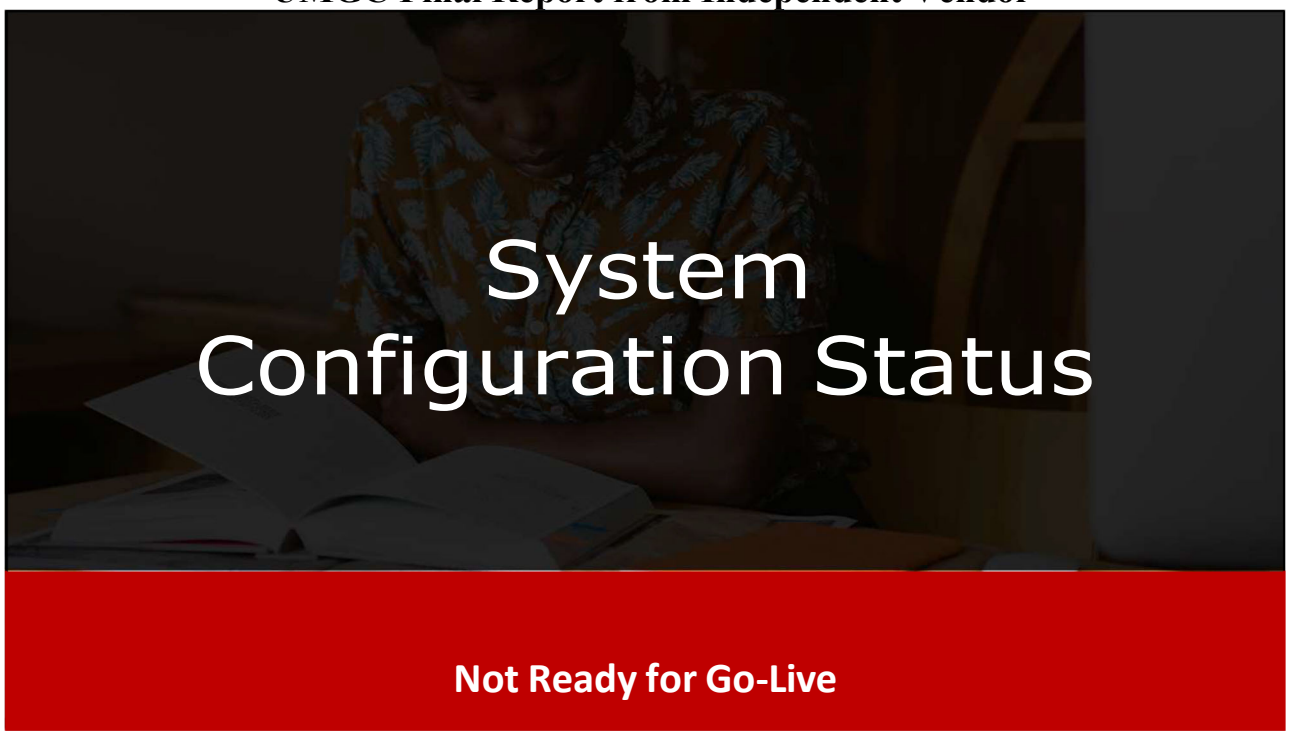
Currently UMGC will go live without key processes. This will have serious functional financial impacts on the University. The DPA report is a key report that is used to run the university. The amount of manual process required as a result of not having Batch Enroll is unsustainable. 1098T processing is a Federal tax reporting requirement. Not having it negatively impacts students and opens UMGC to regulatory risk.

Without a clear understanding of what AccelerEd will deliver and how it will function, UMGC is unable to train their staff in how the system works, guide their students or add resources in time to mitigate the impact of major functions that were automated in Product 1 but are manual in Product 2.

Mitigation:
Pause the implementation. Develop an agreed upon scope for Phase I of the implementation and the requirements Vendor C and Vendor B will have to deliver. Together they must develop a Project and Resources plan to deliver those requirements. UMGC and AccelerED need to agree a set of clear Go/No-Go criteria before resuming the implementation.

22

Exhibit 1
UMGC Final Report from Independent Vendor



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SYSTEM CONFIGURATION STATUS

Overview & Observation
- Configuration Status
- Ownership / RACI

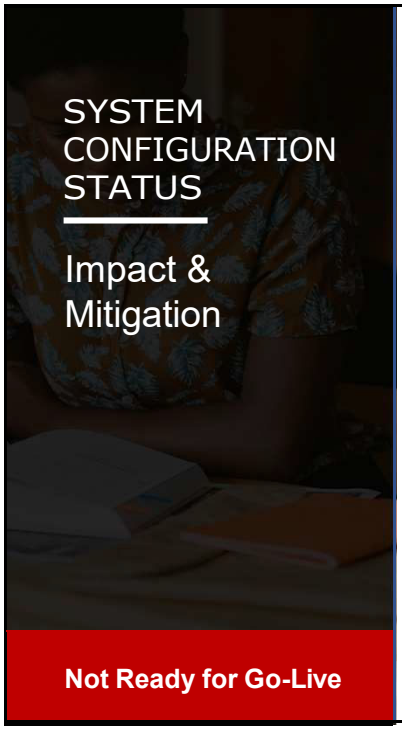
Not Ready for Go-Live

It is difficult to determine accurate configuration status as there is no clear scope of what is to be delivered and AccelerED and UMGC are still developing and validating business requirements. Even though requirements are being validated, AccelerED believes configuration is 95% completed and on track. AccelerED has migrated 75% of Product 2 configurations into Test. Product 3 Configurations are 85% complete with a clear path forward for creating the rest.

There are major configurations outstanding. For example, the status of Transfer Credit articulation rules are unknown. There are roughly 1 Million articulation rules that are configured in Product 1. This is vital configuration as the average UMGC student is a transfer with between 40-50 credits. The functional lead for Military has only seen wireframes for his module and does not know of the status of his configuration.

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Exhibit 1
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Impact:
There is no agreed upon requirements traceability matrix (RTM) to trace business requirements to configuration requirements. It is impossible to validate if all configurations have been completed because of the misalignment of understanding between AccelerED and UMGC on what is being delivered in Phase I.

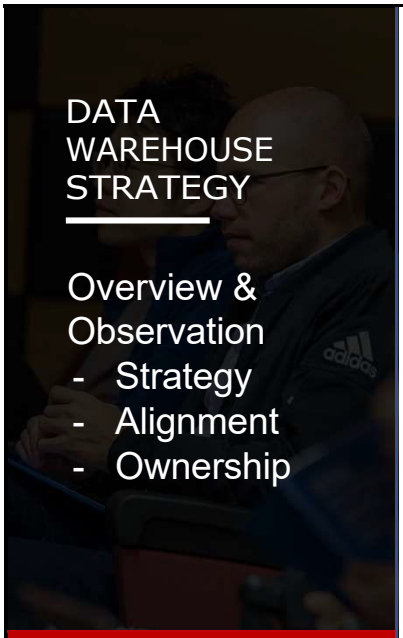
Mitigation:
AccelerED and UMGC must agree on and clearly document the scope and requirements being delivered in each Phase. Configuration requirements need to be based on that document. AccelerED working closely with functional users need to complete thorough review of what configurations have been completed and what is outstanding. Together they must develop and execute a plan for moving forward. As new solutions are introduced or developed, AcellerEd and UMGC must have a process for identifying and creating needed configuration for these new solutions.
One person from AccelerED and one from UMGC needs to lead this overall effort.

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Exhibit 1
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Helio Campus manages the Data Warehouse and reporting for UMGC. Like AccelerED it is a third-party company that was spun off from UMGC. Helio Campus began fit gaps between Product 1 and Product 2 in January, and they are working on three large projects at once – Product 2, Product 3 and Military. Most of the information they need is not being shared proactively, and they do not have mapping of all the sources of their data. They also do not have a list of the business processes that will change. Helio Campus has requested information on where information from the apps will reside - in the app or in Product 2 or another system. When they are missing data, they don't know if it is a product issue or change in business process.

The team is taking ownership of their responsibilities and attempting to assemble a comprehensive inventory of needed queries and/reports and validate them with stakeholders. They have shared a list of operational reports with AcclerED. They are replicating EDW reports in Product 4.

There is however, anxiety about the integrations that feed data to mission critical resorts and how calculated values will come to them. As a result, It is unclear how some critical daily reports that contain calculated values will be created.

Product 5 was purchased without their involvement. The team feels the goal of using Product 5 to replace the Data Warehouse is not realistic due to the scale of information it can use.

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Impact:
Reports essential to operate UMGC may not be available at Go-Live. Without understanding what processes have changed, what the data sources are, and a clear understanding of the new data structures, the Data Warehouse team will not be able to ensure proper metrics are available to create KPI's and key reports. Without support from the functional users to help the Helio Campus team understand the new business processes, they will not be able to design effective reports each area needs.

Mitigation:
AccelerED, UMGC, and Helio Campus must develop and execute plan for Helio Campus to receive the information about business processes, source systems and data sources it needs to support analytics and provide data for mission critical reports. One person from UMGC, Helio Campus and AccelerED need to own this plan and ensure it is executed.

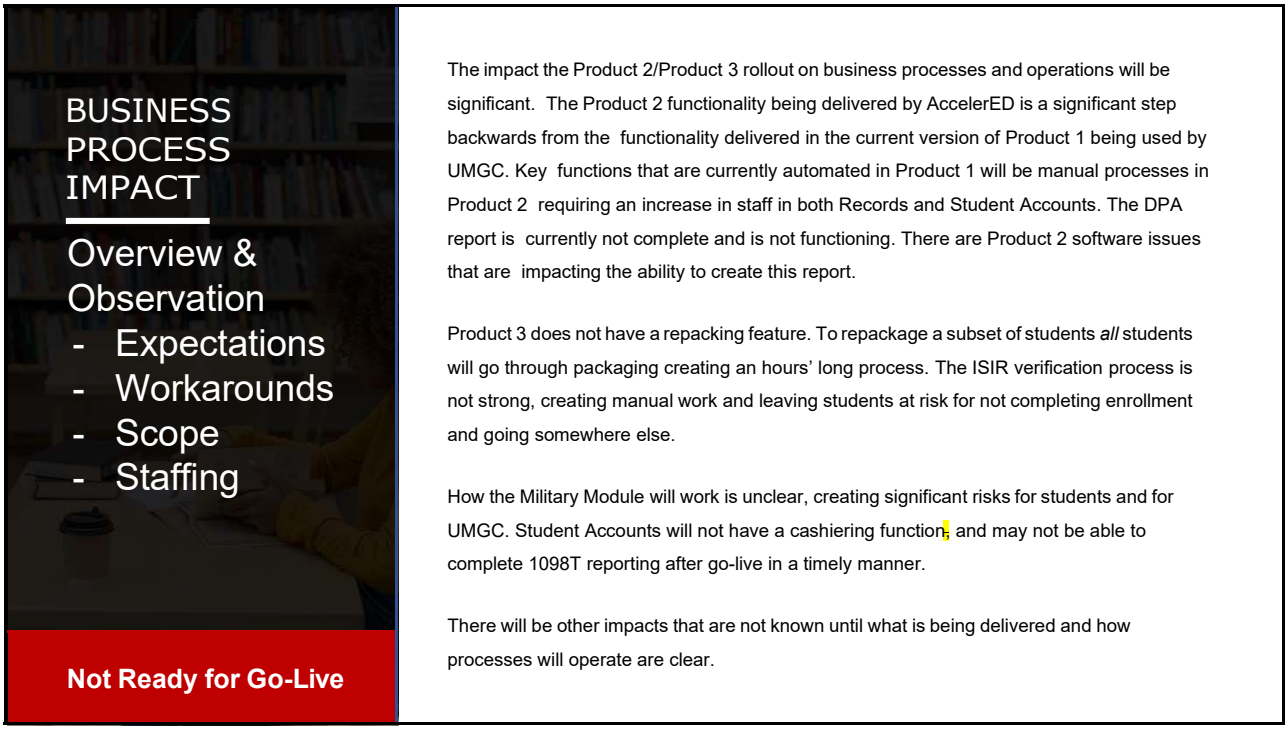
UMGC and Helio Campus need to develop a comprehensive list of "Day 1" reports that mission critical for operating UMGC. These Day 1 reports must be in place and must be part of the Go/No-Go criteria. Document requirements, data, data sources and extracts needed to create these reports. Develop a plan for ensuring these reports are accurate and in place at go-live. Repeat the same process for "Day 2" , "Day 5", "Day 7" and "Day 30" reports.

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Exhibit 1
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The impact the Product 2/Product 3 rollout on business processes and operations will be significant. The Product 2 functionality being delivered by AccelerED is a significant step backwards from the functionality delivered in the current version of Product 1 being used by UMGC. Key functions that are currently automated in Product 1 will be manual processes in Product 2 requiring an increase in staff in both Records and Student Accounts. The DPA report is currently not complete and is not functioning. There are Product 2 software issues that are impacting the ability to create this report.

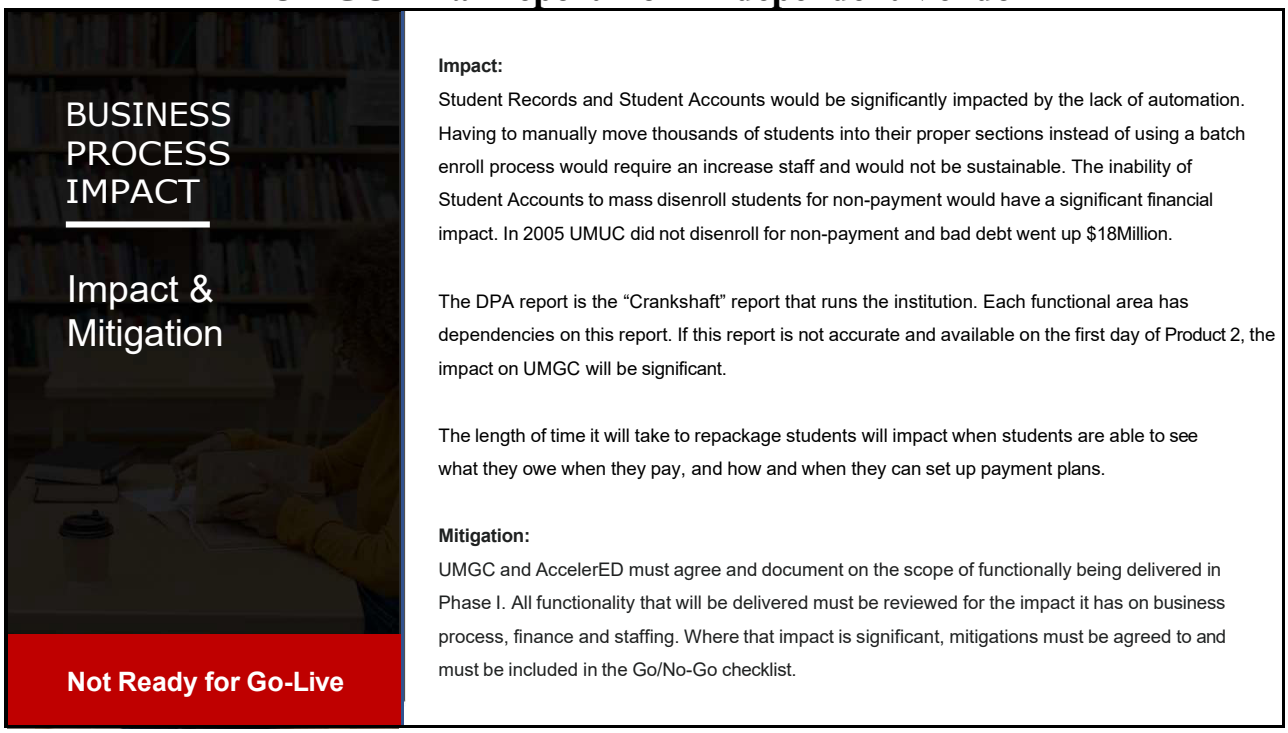
Product 3 does not have a repacking feature. To repackage a subset of students *all* students will go through packaging creating an hours' long process. The ISIR verification process is not strong, creating manual work and leaving students at risk for not completing enrollment and going somewhere else.

How the Military Module will work is unclear, creating significant risks for students and for UMGC. Student Accounts will not have a cashiering function, and may not be able to complete 1098T reporting after go-live in a timely manner.

There will be other impacts that are not known until what is being delivered and how processes will operate are clear.

30

Exhibit 1
UMGC Final Report from Independent Vendor

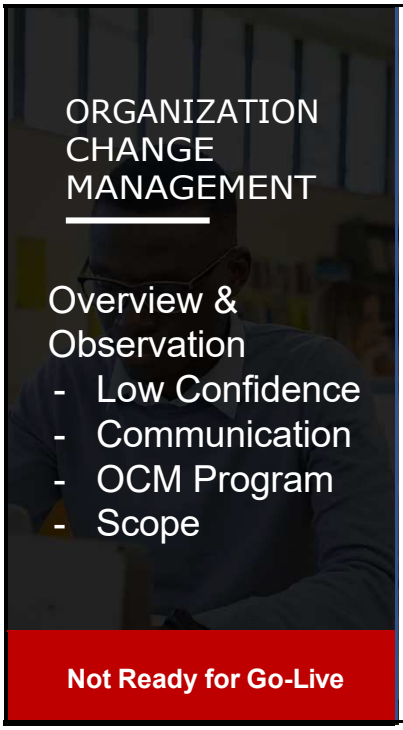


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Exhibit 1
UMGC Final Report from Independent Vendor

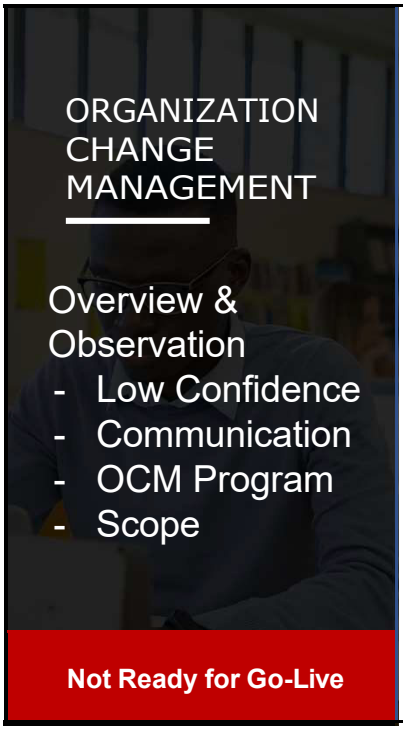


Interviews with UMGC stakeholders and select vendors showed universal concern and low confidence about go-live readiness. But there was relatively high confidence in the go-live from AccelerED, Vendor C and Vendor B. With this gap in confidence an effective change management and training program is critical. While there is no discernable rigorous change management program, there are change management activities that are planed and underway.

One key is communication and setting expectations. Some people have been deep in the system and others have not. Some are aware of the scope of change and others have assumed expectations. Communication is a joint effort between UMGC and AccelerED. There are two elements of corporate communication - internal and external and each have an owner

Each unit has a training resource and Vendor C has provided base training materials. However, there are enough changes to the system and processes that these materials are obsolete. The Product 2 system, the Military bolt-on and other third-party systems are still being designed built and changed. Scope continues to change. As a result, the design of Product 2 training materials cannot start.

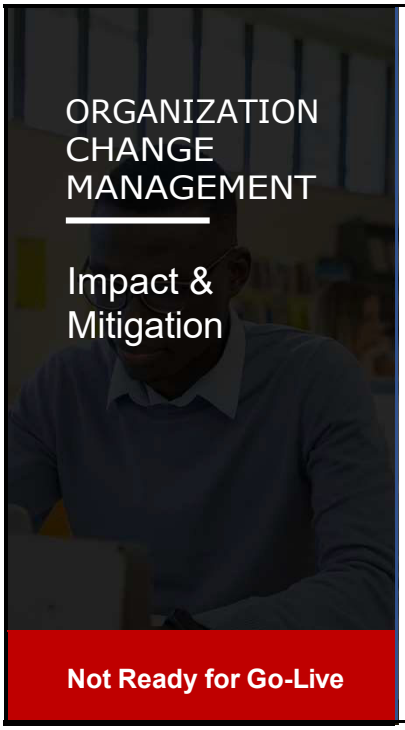
33



The OCM team has begun to design for training materials for the 19 apps and have started training beta testers. The OCM team needs more time from the project owners on which staff needs to be trained on what topics. The OCM team is trying to get the involvement of the business unit on configuration, and training people how to build reports and views. This training will give staff early access and help them learn the system. However, business owners do not feel they know enough about what will be delivered to provide the OCM team with the information they need. Business stakeholders are not confident they will be ready for go-live and adequately trained. The pre-cursor of this is confusion about phase one scope.

34

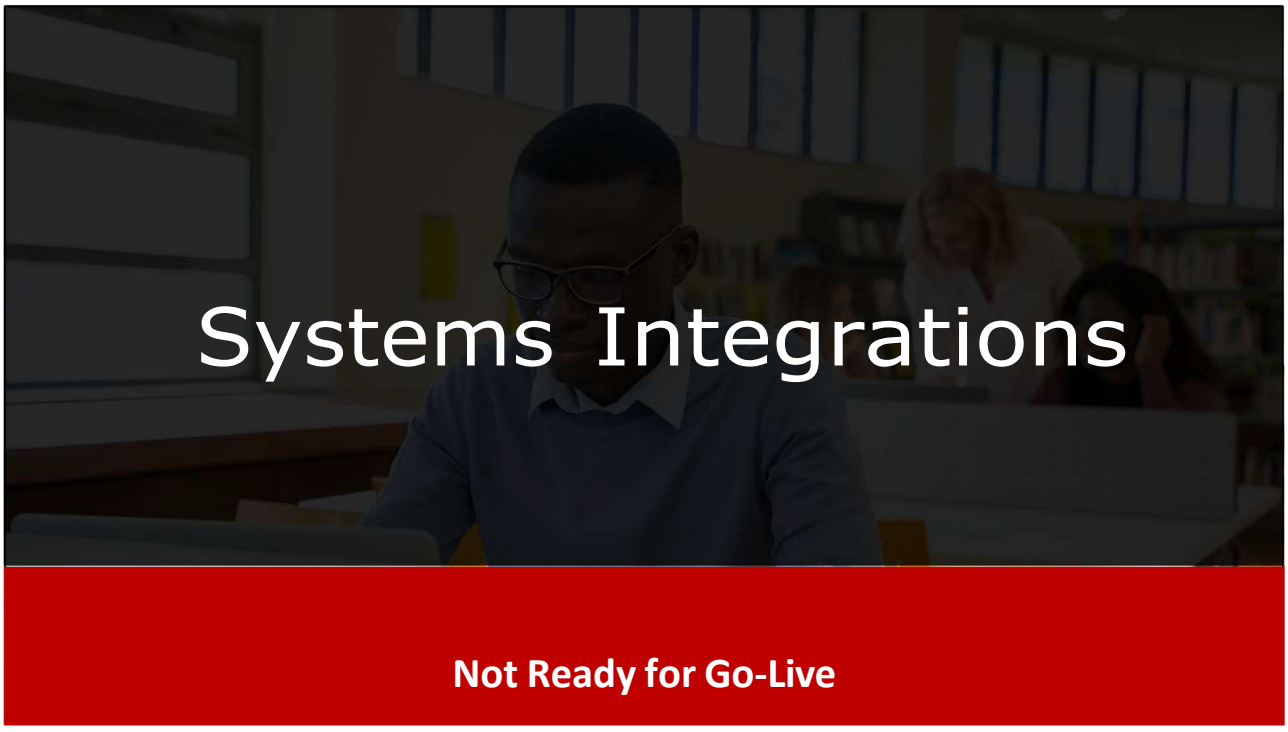
Exhibit 1
UMGC Final Report from Independent Vendor



Impact:
Training materials are being held up by requirements that are still in flux. The scope and requirements need to be agreed to so the training team and the functional teams can identify who needs to be trained on what process. Creating training materials can't begin until scope and the functional designs are agreed to. An untrained or poorly trained staff will not be able to use the system properly, creating errors and impacting the student experience.

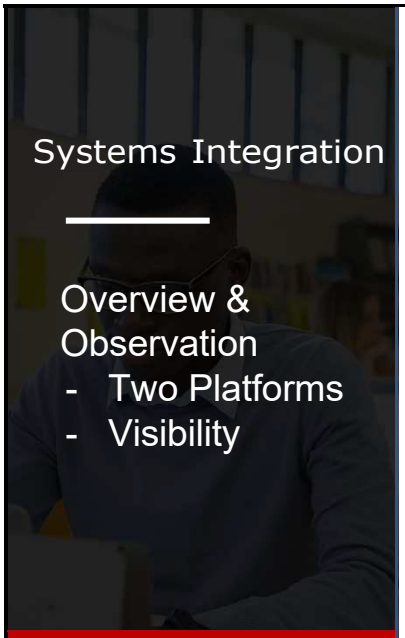
Mitigation:
Create a clear agreed to scope and requirements document for what will be delivered in Phase 1. Use this as the basis for developing an OCM and training strategy and plan. Create a training schedule with the Functional Leads.

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Exhibit 1
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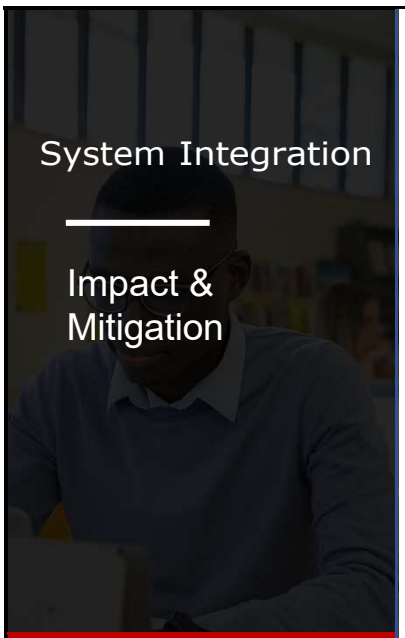
System integrations play a critical role in aligning data and processes through multiple solutions to allow for UMGC to effectively support their customers needs in a manner that is seamless to its constituents. The effort should allow UMGC to manage its respective processes as activities are executed through the journey of its constituents.

There are 80 different integrations being built using two different platforms. Any information that comes from Vendor C to a third party uses Product 6. Any data that comes back to Vendor C is relayed in Product 7. Product 7 sends their information back to the services bus where logic apps send it back to Vendor C. There is also a datalink between Product 2 and Product 3.

The Integration team has adopted an agile approach and have know the status of each build. They are more focused on reusable integrations than in the past.

As solutions like the Military bolt-on are developed or other solutions are acquired more integrations will be needed. The Military business owner has not seen the designs of the bolt-on and is not sure the configuration and integrations will be in place.

37



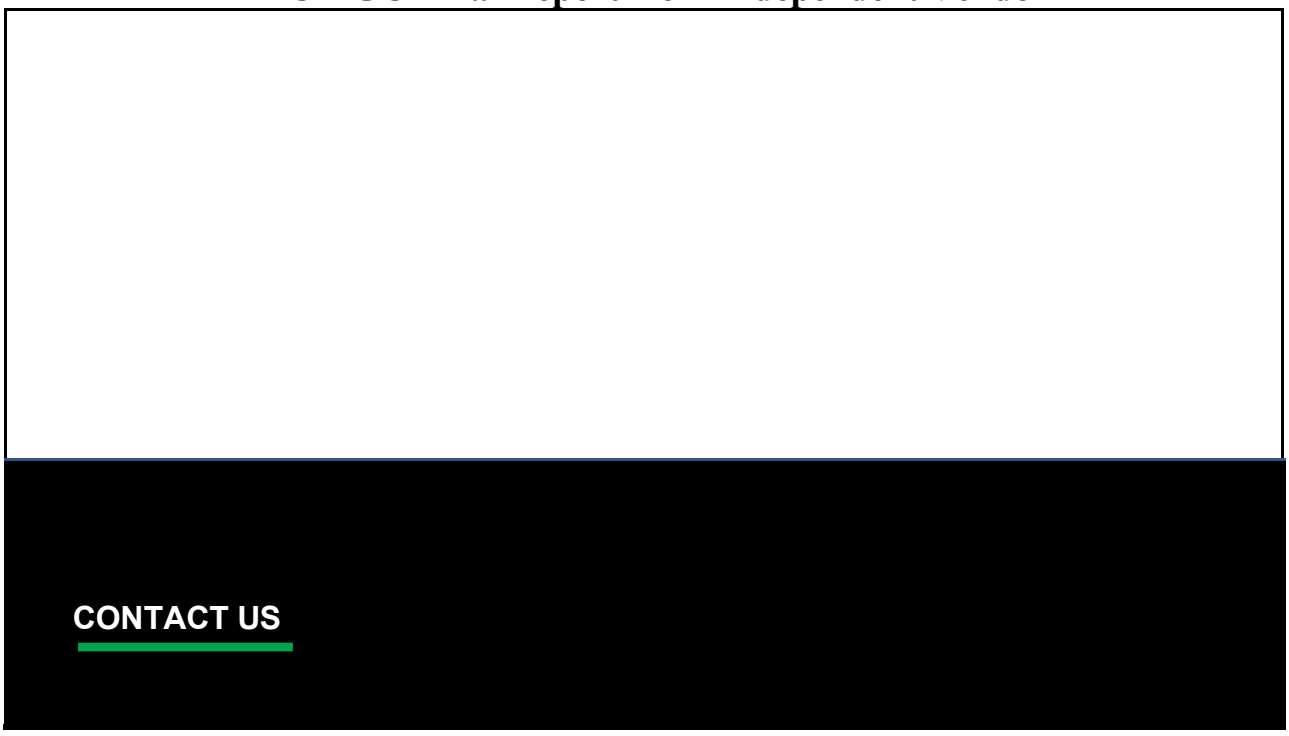
Impact:
The current approach to integrations using two different platforms will increase technical debt and the resource time needed for maintenance. Two integrations will have to be maintained and updated any time there is a change to an integrated solution. The cost of ownership will also increase due to the need to maintain two platform licenses. The rapid pace of changes to the Product 2 ecosystem runs the risk that needed integrations will be missed or not built and tested in time for Go-live.

Mitigation:
Inventory all software that are being built or purchased to create the Product2/Product 3 based solution. Implement a freeze on the inclusion of new applications, early enough that any needed integrations can be developed, but late enough to ensure needed functionality is delivered. Develop clear documentation of the scope of integrations and the data required. Work with UMGC Functional Leads to ensure the proper data is being integrated with the proper timing.

Over time, shift to a single integration approach to reduce complexity and total cost of ownership.

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Exhibit 1
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UNIVERSITY SYSTEM of MARYLAND

3300 METZEROTT ROAD // ADELPHI, MD 20783
WWW.USMD.EDU // 301.445.1923

OFFICE OF ADMINISTRATION AND FINANCE

August 8, 2024

Mr. Brian S. Tanen, CPA, CFE
Legislative Auditor
Office of Legislative Audits
The Warehouse at Camden Yards
351 West Camden Street, Suite 400
Baltimore, MD 21201

Re: University System of Maryland – University of Maryland Global Campus
Period of Audit: October 1, 2018 through December 31, 2022

Dear Mr. Tanen,

Thank you for the work of your team and the recommendations you provided. I have enclosed the University System of Maryland's responses to your draft report covering the examination of the accounts and records of the University System of Maryland – University of Maryland Global Campus. Our comments refer to the individual items in the report.

Sincerely,

Ellen Herbst

Ellen Herbst
Senior Vice Chancellor for Administration and Finance

Enclosures

cc: Dr. Gregory Fowler, President, UMGC
Ms. Linda R. Gooden, Chair, University System of Maryland Board of Regents
Mr. Louis M. Pope, University System of Maryland Board of Regents
Dr. Jay A. Perman, Chancellor, University System of Maryland
Ms. Celeste Denson, Associate Vice Chancellor for Financial Affairs, USM Office
Mr. David Mosca, Vice Chancellor for Accountability, USM Office
Mr. Michael C. Eismeier, Associate Vice Chancellor and CIO, USM Office
Ms. Samantha Norris, Director, Financial Planning and Analysis, USM Office
Mr. Eugene Lockett, Vice President and CFO, UMGC
Mr. Joseph Sergi, SVP and COO, UMGC

University System of Maryland
University of Maryland Global Campus

Agency Response Form

University of Maryland Global Campus (UMGC) Business Initiatives

Finding 1
We identified certain activities that raise questions as to whether UMGC's continued relationship with Ventures and its affiliates is in the best interest of UMGC and the State, including being the primary revenue source for Ventures and AccelerEd.

We recommend that UMGC, in conjunction with USM,

a. **conduct periodic formal, documented, comprehensive evaluations, including a cost benefit analysis, to determine the extent to which the intended purpose, objectives, and goals of creating UMGC Ventures, AccelerEd, and HelioCampus, and placing AccelerEd and HelioCampus within Ventures have been achieved;**
b. **review the aforementioned Ventures' activity to ensure that the related funds were used as intended;**
c. **determine if any adjustment to its relationship with and continued use of these entities is warranted, for example whether any services should be brought back in-house; and**
d. **update the USM BOR on the results of the evaluations and any resulting adjustments.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 1a	Agree	**Estimated Completion Date:**	06/30/25
Please provide details of corrective action or explain disagreement.	UMGC agrees and will conduct a formal comprehensive evaluation, including a cost benefit analysis, to determine the extent to which the intended purpose, objectives, and goals of creating UMGC Ventures and AccelerEd, and placing AccelerEd within Ventures have been achieved. Since Ventures was stood up in 2016, the ed tech market has shifted dramatically, including new regulations at federal level around third-party services and online program managers and a post pandemic shift by many institutions to a DIY model. The current UMGC leadership, which began in 2021, also believes the time is right for UMGC to		

University System of Maryland
University of Maryland Global Campus

Agency Response Form

	consider what potential Ventures has to provide value add to UMGC. In terms of Helio Campus, UMGC will conduct competitive procurement to select its next analytics provider, as well as a cost benefit analysis of utilizing an external partner to provide analytics services.		
Recommendation 1b	Agree	**Estimated Completion Date:**	06/30/25
Please provide details of corrective action or explain disagreement.	UMGC agrees to review the aforementioned Ventures' activity to ensure that the related funds were used as intended, related to bullets 2 and 3 of the above analysis.		
Recommendation 1c	Agree	**Estimated Completion Date:**	06/30/25
Please provide details of corrective action or explain disagreement.	UMGC agrees and will use the above evaluation of AccelerEd and Ventures to determine whether any adjustment to its relationship with and continued use of these entities is warranted. In addition, UMGC will conduct a cost benefit analysis of utilizing an external partner to provide analytics services.		
Recommendation 1d	Agree	**Estimated Completion Date:**	06/30/25
Please provide details of corrective action or explain disagreement.	UMGC agrees to update the USM Chancellor and the BOR on the results of the evaluations and any resulting adjustments.		

University System of Maryland
University of Maryland Global Campus

Agency Response Form

Finding 2
UMGC obtained information technology (IT) services from Ventures and its subsidiaries totaling approximately $184.1 million during November 2018 to December 2022 without competitive procurement and without verifying that the amounts paid were proper.

We recommend that UMGC

a. **take steps to ensure IT services are procured on a competitive basis;**
b. **adjust its Professional Services Agreement to require Ventures to provide documentation of the steps it takes to find the best qualified and most advantageous vendors for each SOW;**
c. **ensure that invoices include a breakdown of services provided and costs incurred for the period;**
d. **discontinue the use of contingency fees without a clear definition of permitted usage, a requirement to report usage, and clarification as to the disposition of unused fees; and**
e. **include the key components identified by the aforementioned vendor's report in future SOWs.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 2a	Disagree	**Estimated Completion Date:**	
Please provide details of corrective action or explain disagreement.	UMGC disagrees based on this statute: Education § 12-113 provides that State Finance & Procurement Division II does not apply to transactions between a HIEDA and the institution that established, financed, or operated the HIEDA. UMGC's agreements with the HIEDAs it established, financed, or operated would be exempt from SF&P Division II and not subject to competitive procurements.		

Auditor's Comment: The response indicates disagreement and notes that, by law, transactions with the HIEDA that UMGC established are not subject to competitive procurement requirements. The report acknowledges this fact, but also notes that the law does not prohibit competitive procurement and that competitive procurement helps to ensure that the most capable vendor is selected at a competitive cost.

University System of Maryland
University of Maryland Global Campus

Agency Response Form

In light of the significant issues noted in this report and the unique relationship between UMGC and Ventures we continue to believe UMGC should take steps to ensure IT services are procured on a competitive basis.

Recommendation 2b	Agree	**Estimated Completion Date:**	07/01/24
Please provide details of corrective action or explain disagreement.	UMGC agrees and has included language in its next Master Professional Services Agreement to require Ventures to provide documentation of the steps it takes to find the best qualified and most advantageous vendors for each SOW.		
Recommendation 2c	Agree	**Estimated Completion Date:**	07/01/24
Please provide details of corrective action or explain disagreement.	UMGC agrees and will ensure that invoices from Ventures include a breakdown of services provided and costs incurred for the period.		
Recommendation 2d	Agree	**Estimated Completion Date:**	07/01/24
Please provide details of corrective action or explain disagreement.	UMGC agrees and has discontinued the use of contingency fees in its Master Professional Services Agreement with Ventures.		
Recommendation 2e	Agree	**Estimated Completion Date:**	07/01/24
Please provide details of corrective action or explain disagreement.	UMGC agrees and will incorporate the missing key components identified by the independent vendor in future SOWs as appropriate.		

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Finding 3
UMGC did not adequately monitor an IT project being developed for its use by Ventures, which was ultimately determined to be unusable and abandoned after UMGC expended $25.7 million.

We recommend that UMGC

a. ensure that contracted services are routinely, adequately, and independently monitored and evaluated to help ensure the proper and timely receipt of all required deliverables;
b. ensure that a provision for liquidated damages for non-performance is included in its contracts; and
c. consult with legal counsel regarding the potential for collecting liquidated damages relating to the closed SIS project noted in this finding.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 3a	Agree	**Estimated Completion Date:**	12/31/24
Please provide details of corrective action or explain disagreement.	UMGC will ensure that large-scale IT projects are routinely, adequately, and independently monitored and evaluated by UMGC's Enterprise Project Management Office (EPMO) to ensure the proper and timely receipt of all required deliverables.		
Recommendation 3b	Agree	**Estimated Completion Date:**	07/01/24
Please provide details of corrective action or explain disagreement.	UMGC agrees and will include liquidated damages provisions in future IT projects, as appropriate.		
Recommendation 3c	Agree	**Estimated Completion Date:**	07/03/24
Please provide details of corrective action or explain disagreement.	UMGC agrees and has consulted with legal counsel regarding the potential for collecting liquidated damages relating to the closed SIS project noted in this finding.		

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Advertising Contracts

Finding 4
UMGC did not have formal documented procedures for assigning work to pre-qualified vendors for two master advertising contracts totaling $500 million, and related statements of work were not sufficiently detailed to allow for effective monitoring by UMGC.

We recommend that UMGC

a. **establish formal procedures for selecting and assigning work to prequalified vendors, such as the basis for selection and required documentation supporting the selection;**
b. **use competitive procurement within prequalified vendors for individual tasks;**
c. **ensure that task orders or SOWs contain sufficient details to enable effective monitoring and receipt of requested services and deliverables; and**
d. **establish performance measures, such as impact on enrollment, when establishing SOWs to help direct future use of the contracts.**

Agency Response	
Analysis	
Please provide additional comments as deemed necessary.	Although UMGC did not have a documented procedure for selecting vendors from those approved under the solicitation, UMGC did ensure that the most cost-effective vendors were selected. The requested services are intentionally broad because the value-add of vendors – as experts at advertising media buying – is to determine all the details of purchases to be made. UMGC directs vendors on our target audience and our goals, primarily to drive the most cost-effective leads, applications, and enrollments. It is the vendors' expertise that determines the number of ads, and when/where they appear. Vendors are then held accountable for achieving good pricing, and driving cost-effective leads, applications, and enrollments. These all are monitored through weekly reports submitted by the vendors. Out-of-market cost-per-enrollment has improved since this contract was approved, which has contributed to significant increases in new enrollment, outcomes have significantly increased during that time period as well.

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Recommendation 4a	Agree	**Estimated Completion Date:**	09/01/24
Please provide details of corrective action or explain disagreement.	UMGC's selections among pre-qualified vendors is based on 1) their technical proposal and the capabilities/strengths detailed within, 2) their more recent capabilities/strengths in this rapidly changing field, and 3) our conversations/experience with the vendors. However, these were not formally documented. UMGC will document this going forward.		
Recommendation 4b	Disagree	**Estimated Completion Date:**	
Please provide details of corrective action or explain disagreement.	UMGC does not agree that competing each SOW is necessary or practical given our business model for advertising. Effective advertising is based on continuous testing and learning. Constantly shifting vendors will result in lost knowledge and inefficiency. The existing solicitation process ensures competition, requiring each selected agency to submit portfolio and technical responses regarding their capabilities. During this multi-month process, detailed information on capabilities and experience is obtained and is leveraged by UMGC in future SOW decisions. In addition, ongoing, continued conversation with vendors aid in the assessment of each vendor's new capabilities/strengths.		

Auditor's Comment: UMGC disagrees with using competitive procurement within prequalified vendors, noting that it is not necessary or practical given its business model for advertising. As noted in the report, it was UMGC's initial intention to provide for competition among the prequalified vendors. With competitive procurement, UMGC would still be in a position to determine and select the most capable and cost-effective vendor. Consequently, we continue to believe that use of a competitive procurement process within the prequalified vendors is appropriate.

Recommendation 4c	Agree	**Estimated Completion Date:**	09/01/24
Please provide details of corrective action or explain disagreement.	Several monitoring mechanisms are listed on UMGC's SOWs (data to be received daily, weekly reports and meetings, log-in access to vendor systems, etc.). However, SOWs do not explicitly state that these will be used for monitoring. UMGC will make this more explicit in SOWs going forward.		
Recommendation 4d	Agree	**Estimated Completion Date:**	09/01/24
Please provide details of corrective action or explain disagreement.	Performance measures are discussed in detail each week with our vendors where we review data, key metrics, and reports on performance. However, these performance measures have not been documented on SOWs. UMGC will explicitly state this on SOWs going forward.		

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Finding 5
UMGC did not adequately justify two sole source procurements of advertising services and did not consolidate the procurements which we believe circumvented University System of Maryland (USM) *Procurement Policies and Procedures*.

We recommend that UMGC comply with *USM Procurement Policies and Procedures* regarding sole source procurements. Specifically, we recommend that UMGC

a. ensure that the sole source procurement method is used only when a single vendor can meet the contract requirements, and adequately document the sole source justification; and

b. consolidate sole source procurements for the same services and obtain required approvals when total procurement amounts exceed established limits.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	UMGC did not consolidate the contracts for each service as they are two different services. The vendor OLA identified could not provide the same level of service UMGC required. The use of annual contracts as opposed to a multi-year contract was related to the need to review performance and subsequent funding availability prior to re-engaging for additional terms.		
Recommendation 5a	Agree	**Estimated Completion Date:**	10/31/24
Please provide details of corrective action or explain disagreement.	UMGC agrees with the recommendation to only use the sole source procurement method in compliance with the USM Policies and Procedures. In the future, UMGC will procure these services in compliance with the USM Procurement Policies and Procedures following the Competitive Sealed Proposal method of procurement, to ensure that there are no other available vendors which can meet these needs.		
Recommendation 5b	Agree	**Estimated Completion Date:**	10/31/24
Please provide details of corrective action or explain disagreement.	UMGC agrees and will consolidate sole source procurements for the same service and obtain required approvals when the total procurement amounts exceed established limits. In the case referenced above, these advertising contracts are for two different services; exclusive educational sponsorship for a unique, Veteran-specific radio broadcast; and digital		

	advertising in multiple Veteran-oriented segments. UMGC will have individual contracts for the two different services being provided and will utilize a multi-year contractual approach and seek all necessary approvals for these two competitively bid contracts.

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Cash Receipts

Finding 6
UMGC did not adequately control and account for collections, which totaled $7.3 million in fiscal year 2022.

We recommend that UMGC

a. **record all checks received in the mail immediately upon receipt, and**
b. **ensure that deposit verifications are performed by an employee independent of the cash receipts functions using initial recordation documents.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 6a	Agree	**Estimated Completion Date:**	04/01/24
Please provide details of corrective action or explain disagreement.	UMGC agrees with the finding and has begun recording all checks received in the check log upon receipt.		
Recommendation 6b	Agree	**Estimated Completion Date:**	04/16/24
Please provide details of corrective action or explain disagreement.	UMGC agrees with the finding and has modified its deposit verification process to document the independent review verifying the amount deposited agrees with checks received.		

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Student Residency Status

Finding 7
UMGC's procedures for reviewing residency changes were not sufficiently comprehensive, resulting in 67 percent of residency changes not being subject to independent review and approval.

We recommend that UMGC ensure that all residency status changes made are subject to independent review and approval by ensuring that all such changes are included on output reports currently used to conduct those reviews.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 7	Agree	**Estimated Completion Date:**	04/26/24
Please provide details of corrective action or explain disagreement.	UMGC agrees with the finding and has begun to audit residency changes based upon effective date instead of the term.		

AUDIT TEAM

Adam J. Westover, CPA
Audit Manager

R. Brendan Coffey, CPA, CISA
Edwin L. Paul, CPA, CISA
Information Systems Audit Managers

Mindy R. Garrett
Senior Auditor

Edward O. Kendall, CIA
Matthew D. Walbert, CISA
Information Systems Senior Auditors

Albert S. Kim
Yuvaraj N. Sharma
Brian M. Webbert
Staff Auditors

Christopher C. Pitre
Neha S. Tirkey
Information Systems Staff Auditors