



DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

Gregory A. Hook, CPA
Legislative Auditor

May 10, 2023

Senator Guy J. Guzzone, Chair
Senate Budget and Taxation Committee
Miller Senate Office Building, 3 West Wing
11 Bladen Street
Annapolis, Maryland 21401

Delegate Benjamin S. Barnes, Chair
House Appropriations Committee
House Office Building, Room 121
6 Bladen Street
Annapolis, Maryland 21401

Dear Senator Guzzone and Delegate Barnes:

The Office of Legislative Audits (OLA) has reviewed the actions taken by the Maryland Higher Education Commission (MHEC) to resolve the five repeat findings in our June 24, 2021 audit report. This review was conducted in accordance with a requirement specified in the April 2022 *Joint Chairmen's Report* (JCR), page 195. The JCR required that, prior to the release of \$100,000 of its administrative appropriation for fiscal year 2023, MHEC must take corrective action on all repeat audit findings on or before November 1, 2022. The JCR language further provided that OLA submit a report to the budget committees listing each audit finding along with a determination that each finding was corrected. The OLA report is required to be submitted to allow 45 days for the budget committees to review and release the funds prior to the end of the fiscal year.

The June 24, 2021 audit report of MHEC contained five repeat audit findings that were addressed by eleven recommendations. In accordance with the April 2022 JCR requirement, MHEC provided a report to OLA, dated November

4, 2022, detailing the corrective actions it had taken with respect to the audit findings (**Exhibit 1**). The MHEC status report indicated that corrective actions had been completed for all five findings.

If reviewing this public copy of the results of OLA's review of MHEC's actions to address repeat audit findings, the following notice is applicable. The related MHEC audit report was issued prior to the effective date of Chapter 241, Laws of Maryland 2022, which generally requires the OLA to redact any cybersecurity findings in a manner consistent with auditing best practices before the report is made available to the public. Consequently, any information on the status of prior audit report Findings 3 and 7 (which OLA considers cybersecurity related) have been redacted from the public copy of this document and related exhibits.

We reviewed the MHEC status report and related documentation, performed limited tests and analyses of the information, and held discussions with MHEC personnel as necessary to assess the implementation status of the related recommendations. Our review did not constitute an audit conducted in accordance with generally accepted government auditing standards. Based on our review, for the three non-cybersecurity related findings we determined that MHEC had resolved Finding 5, but had not yet taken sufficient actions to correct Findings 1 and 4. Specifically, although MHEC had implemented certain elements of the recommendations related to Findings 1 and 4, the actions to date did not address the entirety of the findings (**Exhibit 2**). Consequently, at the time of our review, our assessment of Findings 1 and 4 concluded that they were still in progress as of November 2022 (**Exhibit 3**).

Although we concluded that those aforementioned findings had not been fully resolved, Exhibit 3 does provide additional detail regarding certain corrective actions that had been taken to date. We discussed our findings with MHEC and their feedback has been incorporated into Exhibit 3.

We trust our response satisfactorily addresses the JCR requirement. Please contact me if you need additional information.

Sincerely,



Gregory A. Hook, CPA
Legislative Auditor

cc: Senator Clarence K. Lam, M.D., Senate Chair, Joint Audit and Evaluation Committee
Delegate Jared Solomon, House Chair, Joint Audit and Evaluation Committee
Joint Audit and Evaluation Committee Members and Staff
Senator William C. Ferguson IV, President of the Senate
Delegate Adrienne A. Jones, Speaker of the House of Delegates
Governor Westley W. Moore
Comptroller Brooke E. Lierman
Treasurer Dereck E. Davis
Attorney General Anthony G. Brown
Secretary Helene T. Grady, Department of Budget and Management
Mary Pat Seurkamp, Ph.D., Chair, Maryland Higher Education Commission
Acting Secretary Sanjay K. Rai, Ph.D., Maryland Higher Education Commission
Assistant Secretary and Director Geoffrey F. Newman, Finance and
Administration, Maryland Higher Education Commission
Joan M. Peacock, Manager, Audit Compliance Unit, Department of Budget
and Management
Victoria L. Gruber, Executive Director, Department of Legislative Services
Sara J. Baker, Policy Analyst, Department of Legislative Services
Kelly K. Norton, Policy Analyst, Department of Legislative Services

Exhibit 1 to May 10, 2023 Letter to Joint Chairmen



Larry Hogan
Governor

Boyd K. Rutherford
Lt. Governor

Mary Pat Seurkamp, Ph.D.
Chair

James D. Fielder, Jr., Ph. D.
Secretary

November 4, 2022

Mr. Gregory A. Hook, CPA
Legislative Auditor
Office of Legislative Audits
301 West Preston Street, Room 1202
Baltimore, Maryland 21201

Re: *Report on the Fiscal 2023 State Operating Budget (SB 290) And the State Capital Budget (SB 291) And Related Recommendations (April 2022 Joint Chairmen's Report (JCR))*
Status of corrective actions related to most recent fiscal compliance audit
P. 195

Dear Mr. Hook:

Please find enclosed MHEC's Agency Status Report for the repeat audit findings as requested on page 195 of the *Report on the Fiscal 2023 State Operating Budget (SB 290) And the State Capital Budget (SB 291) And Related Recommendations (April 2022 Joint Chairmen's Report (JCR))*. Over the last eighteen months, MHEC staff have diligently worked to implement the audit recommendations. Today, I am happy to report that as of November 1, 2022, MHEC has fully implemented corrective action to address all of the repeat audit findings.

If you have any questions or concerns, please contact Mr. Aubrey Bascombe, Director of Finance and Administration, at aubrey.bascombe1@maryland.gov or 410-767-3044.

Sincerely,

A handwritten signature in blue ink that reads 'James D. Fielder, Jr.' is positioned below the word 'Sincerely,'.

Dr. James D. Fielder, Jr.
Secretary

Enclosure

Exhibit 1 to May 10, 2023 Letter to Joint Chairmen

Career-Based Financial Aid

Finding 1
MHEC did not monitor service obligation compliance in a timely and comprehensive manner, and consequently did not ensure that repayments were pursued when required.

We recommend that MHEC

- a. generate and review all reports of recipients and employers requiring initial or follow-up action on a timely basis (repeat), and
- b. ensure that all required requests are sent and follow-up action is taken in a timely manner (repeat).

| Agency Corrective Actions | | | |
|---|--|-----------------|----------|
| | | | |
| Recommendation 1a | Status | Complete | Complete |
| Please provide details of corrective action. | <p>OSFA has implemented an online Service Questionnaire form and updated the Employer Verification Form. For the Service Questionnaire, individuals will complete the online form in lieu of the paper Service Questionnaire form. This new online questionnaire form eliminates the need for individuals to submit paper applications. The online Service Questionnaire was implemented in early July 2022.</p> <p>OSFA continues to release service questionnaire and employer verification notices every 21 days; and repayment notices every 30 days in accordance with its internal procedures.</p> <p>In addition, OSFA and Accounting will continue to meet to reconcile accounts placed into Repayment.</p> | | |
| Recommendation 1b | Status | Complete | Complete |
| Please provide details of corrective action. | <p>To ensure service notifications are generated timely, OSFA implemented a monthly quality assurance review process. This process was implemented in August 2022 and continues on a monthly basis. Each corresponding query is reviewed for the respective notification, to ensure the individual that appeared on the list are correct.</p> <p>In addition to reviewing each individual that appears on the notification, before they are released and within 21 days of the monthly status, change reports are run. The OSFA Compliance Officer has completed a review over the past 3 month (i.e. August, September, and October of 2022) to review each individual that appeared on the reports and ensure the status change applied was accurate.</p> <p>To date, OSFA has implemented and completed the review process of all notifications prior to them being released.</p> | | |

Exhibit 1 to May 10, 2023 Letter to Joint Chairmen

Maryland College Aid Processing System (MDCAPS)

Finding 3 related to “cybersecurity”, as defined by the State Finance and Procurement Article, Section 3A-301(b) of the Annotated Code of Maryland, and therefore MHEC’s corrective actions and OLA’s conclusion from its review of MHEC’s status report are subject to redaction for the publicly available document in accordance with State Government Article 2-1224(i).

Finding 3
Sufficient controls were not established over the issuance and monitoring of user access to MDCAPS.

We recommend that MHEC

- a. require independent authorization for the establishment or modification of all user access accounts, and retain the related authorization forms on file (repeat);
- b. ensure that periodic reviews of employee access are comprehensive and performed by an employee independent of the process of establishing or modifying user accounts (repeat);
- c. ensure that access reviews of external users are performed by external entities and that documentation of these reviews is received and reviewed (repeat); and
- d. remove unnecessary or improper user accounts or access capabilities, including those noted above (repeat).

Agency corrective actions have been redacted by OLA.

Finding 4
MHEC did not adequately restrict user access to SOLR resulting in employees with unnecessary access to process critical functions and others with the ability to process adjustments without independent review and approval.

We recommend that MHEC

- a. establish procedures, including the use of output reports, to allow for an independent review and approval of critical adjustments to recipient service obligation accounts on SOLR based on supporting documentation (repeat)

| Agency Corrective Actions | | |
|--|---|----------|
| | Status | Complete |
| Recommendation 4a | | Complete |
| Please provide details of corrective action. | In August 2022, the OSFA Compliance Officer commenced a monthly quality assurance review process, by reviewing everyone that appeared on the applicable reports, in accordance with the SOLR Quality Assurance Review Procedures. | |

Exhibit 1 to May 10, 2023 Letter to Joint Chairmen

| | |
|--|--|
| | The Admin. Officer 1 reviews each corresponding query for the respective notification and identifies any student on the reports that are incorrect. The Admin. Officer I also identifies what information needs to be reviewed and corrected. In addition, the Compliance Officer reviews the monthly SOLR QA process. |
|--|--|

Aid to Community Colleges

Finding 5

MHEC had not implemented effective procedures for ensuring that all payments made to community colleges for retirement and pension contributions were proper.

We recommend that MHEC ensure that the amounts paid for the State’s share of community college employees’ retirement and pension costs are proper. Specifically, we recommend that MHEC enhance its procedures to

- a. thoroughly review audited retirement and pension contribution data received from community colleges and resolve, on a timely basis, differences between the audited data and corresponding amounts in its own records, including the aforementioned differences (repeat);
- b. take appropriate actions to pay or collect differences in amounts owed to or due from the colleges (repeat); and
- c. document the actions taken (repeat).

| Agency Corrective Actions | | | |
|--|--|-----------------|----------|
| Analysis | | | |
| Please provide additional comments as deemed necessary. | <p>MHEC completes a comprehensive review process before making optional retirement payments to the community colleges. The community colleges must provide supporting documentation when submitting invoices, including a detailed list of employees. In addition, the State Retirement Agency (SRA) certifies all eligible new employees at the community colleges and MHEC will not make payments for any new employees included in invoices if MHEC does not receive the certification from SRA.</p> <p>The OLA testing did not identify any incidents of MHEC making optional retirement payments to the community colleges without the proper supporting documentation.</p> | | |
| Recommendation 5a | Status | Complete | Complete |

Exhibit 1 to May 10, 2023 Letter to Joint Chairmen

| | | | |
|---|---|-----------------|----------|
| Please provide details of corrective action. | <p>MHEC completed the reconciliations for FY 2019 and 2020, including fully investigating differences and documenting actions taken (if any).</p> <p>In addition, MHEC implemented an annual reconciliation of retirement amounts submitted by the community colleges in their CC-4 Audited Financial Report, including following up with the community colleges to address differences identified during the review of their CC-4s and documenting actions taken (if any).</p> | | |
| Recommendation 5b | Status | Complete | Complete |
| Please provide details of corrective action. | <p>Any differences and discrepancies discovered by the annual reconciliation of retirement amounts reported in the community college CC-4s will be researched to determine the cause for these differences and corrective action will be pursued including collection and/or payment. This action will be pursued in a timely manner.</p> | | |
| Recommendation 5c | Status | Complete | Complete |
| Please provide details of corrective action. | <p>Both the annual reconciliation processes as well as any follow-up actions on identified differences and discrepancies will be documented regarding its circumstance, results of our research, and any corrective action taken.</p> | | |

Information Systems Security and Control

Finding 7 related to “cybersecurity”, as defined by the State Finance and Procurement Article, Section 3A-301(b) of the Annotated Code of Maryland, and therefore MHEC’s corrective actions and OLA’s conclusion from its review of MHEC’s status report are subject to redaction for the publicly available document in accordance with State Government Article 2-1224(i).

Finding 7
MHEC maintained sensitive personally identifiable information (PII) in a manner that did not provide adequate safeguards and lacked assurance that adequate security protections existed over PII on the vendor-hosted development servers.

We recommend that MHEC, in conjunction with their MDCAPS vendor and DoIT, implement appropriate information security safeguards for sensitive PII it maintains (repeat).

Agency corrective actions have been redacted by OLA.

Exhibit 2 to May 10, 2023 Letter to Joint Chairmen

Status of Repeat Findings in OLA’s June 24, 2021 Audit Report on the Maryland Higher Education Commission (MHEC)

| Prior Recommendations Pertaining to Repeat Findings | Status Based on OLA Review |
|---|-------------------------------|
| Career-Based Financial Aid | |
| 1. We recommend that MHEC <ul style="list-style-type: none"> a. generate and review all reports of recipients and employers requiring initial or follow-up action on a timely basis. | Resolved |
| <ul style="list-style-type: none"> b. ensure that all required requests are sent and follow-up action is taken in a timely manner. | Not Resolved (In Progress) |
| Maryland College Aid Processing System (MDCAPS) | |
| 3. We recommend that MHEC <ul style="list-style-type: none"> a. require independent authorization for the establishment or modification of all user access accounts, and retain the related authorization forms on file. | Status Redacted ¹ |
| <ul style="list-style-type: none"> b. ensure that periodic reviews of employee access are comprehensive and performed by an employee independent of the process of establishing or modifying user accounts. | Status Redacted ¹ |
| <ul style="list-style-type: none"> c. ensure that access reviews of external users are performed by external entities and that documentation of these reviews is received and reviewed. | Status Redacted ¹ |
| <ul style="list-style-type: none"> d. remove unnecessary or improper user accounts or access capabilities, including those noted above. | Status Redacted ¹ |
| Accounts Receivable | |
| 4. We recommend that MHEC <ul style="list-style-type: none"> a. establish procedures, including the use of output reports, to allow for an independent review and approval of critical adjustments to recipient service obligation accounts on the Service Obligation Loan Repayment module based on supporting documentation. | Not Resolved (In Progress) |

¹ Specific information of the current status of this cybersecurity-related finding has been redacted from the publicly available document in accordance with State Government Article, Section 2-1224(i) of the Annotated Code of Maryland.

Exhibit 2 to May 10, 2023 Letter to Joint Chairmen

Status of Repeat Findings in OLA's June 24, 2021 Audit Report on the Maryland Higher Education Commission (MHEC)

| Prior Recommendations Pertaining to Repeat Findings | Status Based on OLA Review |
|--|-----------------------------------|
| Aid to Community Colleges 5. We recommend that MHEC ensure that the amounts paid for the State's share of community college employees' retirement and pension costs are proper. Specifically, we recommend that MHEC enhance its procedures to <ol style="list-style-type: none">a. thoroughly review audited retirement and pension contribution data received from community colleges and resolve, on a timely basis, differences between the audited data and corresponding amounts in its own records, including the aforementioned differences. | Resolved |
| b. take appropriate actions to pay or collect differences in amounts owed to or due from the colleges. | Resolved |
| c. document the actions taken. | Resolved |
| Information System Security and Control 7. We recommend that MHEC, in conjunction with their MDCAPS vendor and DoIT, implement appropriate information security safeguards for sensitive PII it maintains. | Status Redacted ¹ |

Exhibit 3 to May 10, 2023 Letter to Joint Chairmen

OLA's Assessments Regarding Repeat Findings and Recommendations That Were Not Resolved

Prior Report Recommendation – Finding 1

We recommend that MHEC

- b. ensure that all required requests are sent and follow-up action is taken in a timely manner (repeat).

Status: Not Resolved

Our review disclosed that MHEC established a monthly quality assurance process to help ensure that service notifications are generated timely; however, for older service notifications MHEC was not always sending required requests and taking follow-up action in a timely manner. We reviewed three recipients from the monthly career based service obligation report as of March 28, 2023 who had a service start date prior to 2022, and all three did not have required requests sent, and no follow-up action had been taken. For example, we identified one student whose status was changed to in service in March 2018. Although the student submitted the required initial service obligation questionnaire in March 2019, MHEC did not send notices to the student to obtain a current questionnaire as required on an annual basis. After our inquiries in March 2023, the student was placed in repayment pending status.

Although MHEC management did not disagree with the factual accuracy of the results of OLA's review, it did disagree with the conclusion of "Not Resolved". MHEC management advised us that it was unaware that to fully resolve this finding it was required to review all prior activity and send all required requests and obtain responses from recipients and employers as applicable.

Finding 3 related to "cybersecurity", as defined by the State Finance and Procurement Article, Section 3A-301(b) of the Annotated Code of Maryland, and therefore is subject to redaction for the publicly available document in accordance with State Government Article 2-1224(i).

Prior Report Recommendation – Finding 3

We recommend that MHEC

- a. require independent authorization for the establishment or modification of all user access accounts, and retain the related authorization forms on file (repeat); and
- b. ensure periodic reviews of employee access are comprehensive and performed by an employee independent of the process of establishing or modifying user accounts (repeat).

Status: Redacted

Exhibit 3 to May 10, 2023 Letter to Joint Chairmen

Prior Report Recommendation – Finding 4

We recommend that MHEC

- a. establish procedures, including the use of output reports, to allow for an independent review and approval of critical adjustments to recipient service obligation accounts on the Service Obligation Loan Repayment module based on supporting documentation (repeat).**

Status: Not Resolved

Although not reflected in MHEC's November Status Report, we were advised that subsequently, MHEC established a procedure, using output reports, to review critical adjustments. We did not perform a detailed review of this report, but we noted that it did not begin until March 2023 and the reports used only included adjustments made beginning in December 2022. Prior to December 2022, MHEC relied on a quality assurance review to verify the propriety of adjustments. Nevertheless, we determined that this review was not sufficiently comprehensive, since certain types of critical adjustments identified in our preceding audit report were not subject to review in this process.