Audit Report

Morgan State University

September 2022

Public Notice

In compliance with the requirements of the State Government Article Section 2-1224(i), of the Annotated Code of Maryland, the Office of Legislative Audits has redacted cybersecurity findings and related auditee responses from this public report.

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
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Gregory A. Hook, CPA
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September 22, 2022

Senator Clarence K. Lam, M.D., Senate Chair, Joint Audit and Evaluation Committee
Delegate Mark S. Chang, 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 Morgan State University (MSU) for the period beginning January 4, 2017 and ending April 30, 2021. MSU operates under a Board of Regents and offers baccalaureate, masters, and doctoral degree programs. MSU has been officially designated by State law as Maryland's preeminent public urban research university.

Our audit disclosed that MSU did not adequately monitor the vendor it used for processing student refunds, including verification that refunds were properly disbursed and undeliverable refunds were returned to MSU. Student refunds totaled $60.5 million during calendar years 2019 and 2020. We also noted that adjustments made to room and board charges on student accounts were not independently verified for propriety. Furthermore, supervisory reviews of changes to initial student residency determinations were not documented, not all changes to residency status were subject to review, and changes reviewed were not documented or independent. Verifying proper residency status is critical to ensuring that students are charged the correct tuition amount.

Our audit also disclosed that MSU did not independently review deferred payment plans. Between February 7, 2017 and July 1, 2021, $39.6 million was deferred by students through payment plans. Also, MSU did not periodically ensure that delinquent student accounts were referred to the State's Central Collection Unit within the required time period.

We also found that MSU did not comprehensively review honors scholarship

awards for propriety, and did not take required action, such as discontinuing the scholarship, when students failed to earn or maintain the required grade point average for scholarship eligibility.

Furthermore, MSU did not procure certain goods and services in accordance with its policies and procedures, and did not ensure related goods and services were received and amounts invoiced were proper. For example, required Board of Public Works approval was not obtained for certain services received from one vendor with payments totaling $7.8 million through April 2021.

Our audit also disclosed certain risks in MSU's information systems. However in accordance with the State Government Article, Section 2-1224(i) of the Annotated Code of Maryland, we have redacted these findings from this audit report. Specifically, State law requires the Office of Legislative Audits to redact cybersecurity findings in a manner consistent with auditing best practices before the report is made available to the public. The term "cybersecurity" is defined in the State Finance and Procurement Article, Section 3A-301(b), and using our professional judgment we have determined that the redacted findings falls under the referenced definition. The specifics of the cybersecurity findings were previously communicated to MSU as well as those parties responsible for acting on our recommendations.

Based on our current audit assessment of significance and risk to our audit objectives, our audit included a review to determine the status of 15 of the 17 findings contained in our preceding audit report. For the non-cybersecurity-related findings we determined that MSU satisfactorily addressed 8 of those 12 findings. The remaining 4 findings are repeated in the report.

MSU's response to this audit is included as an appendix to this report. In accordance with State law, we have reviewed the response and, while MSU 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 MSU's response to explain our position. Finally, although we concluded that MSU generally agreed with our recommendations, there are other aspects of MSU's response which will require further clarification, but we do not anticipate that these will require the Committee's attention to resolve. Consistent with the requirements of State law, we have redacted the elements of MSU's response related to cybersecurity audit findings.

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

Respectfully submitted,

Gregory A. Hook, CPA
Legislative Auditor

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* **Denotes item repeated in full or part from preceding audit report**

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Background Information

Agency Responsibilities

Morgan State University (MSU), which is the State's public urban research university, offers baccalaureate, masters, and doctoral programs. MSU is governed by a Board of Regents appointed by the Governor with the advice and consent of the Maryland Senate. Based on MSU's records, its student population for the Fall 2021 semester totaled 8,469, including 7,034 undergraduate students and 1,435 graduate students. MSU's budget is funded by unrestricted revenues, such as tuition and fees, a State general fund appropriation, and restricted revenues, such as federal grants and contracts. According to the State's records, MSU revenues for fiscal year 2021 totaled approximately $274.7 million, including a State general fund appropriation of approximately $107.1 million.

Status of Findings From Preceding Audit Reports

Based on our current assessment of significance and risk relative to our audit objectives, our audit included a review to determine the status of 15 of the 17 findings contained in our preceding audit report dated January 11, 2019. As disclosed in Figure 1, for the non-cybersecurity-related findings, we determined that MSU satisfactorily addressed 8 of those 12 findings. The remaining 4 findings are repeated in this report.

Figure 1
Status of Preceding Findings

Preceding Finding	Finding Description	Implementation Status
Finding 1	Reviews of financial aid awards and scholarships were not adequately performed to ensure their propriety and were not sufficiently documented.	Not repeated
Finding 2	MSU did not always perform monthly reconciliation of federally funded financial aid records and, consequently, had not recovered $1.6 million in eligible aid awards from the United States Department of Education.	Not repeated
Finding 3	Eligibility requirements for three honors scholarships were not consistent with MSU Board of Regents policy.	Not repeated
Finding 4	MSU had not established a maximum amount, consistent with State law, of unpaid student charges that can be carried forward from one semester to the next, did not comply with established policies regarding student deferred payment plans, and permitted students with delinquent balances to register for classes or receive transcripts and diplomas.	Not repeated
Finding 5	Adjustments to student room and board charges were not subject to an independent review and approval process to ensure accuracy and proper posting to student records.	**Repeated** (Current Finding 2)
Finding 6	MSU did not adequately monitor the vendor that was responsible for disbursing student refunds to ensure that the vendor properly issued all refunds and that sensitive student information retained by the vendor was properly safeguarded.	**Repeated** (Current Finding 1)[1]
Finding 7	Documented supervisory reviews of student residency determinations were not performed or not adequately performed in certain instances.	**Repeated** (Current Finding 3)
Finding 8	MSU did not maintain current, complete, and accurate grant records, and did not pursue collection of outstanding grant receivables as required.	Not repeated (Not followed up on)
Finding 9	MSU did not properly procure and monitor a five-year $35.1 million food services contract. Based on the deficiencies we noted, MSU should recover vendor payments totaling $2.2 million.	Not repeated

[1] Specific information on the current status of the cybersecurity-related portion of this finding, related to safeguarding sensitive student information, has been redacted from this publicly available audit report in accordance with State Government Article, Section 2-1224(i) of the Annotated Code of Maryland.

Figure 1
Status of Preceding Findings

Preceding Finding	Finding Description	Implementation Status
Finding 10	MSU procured two contracts totaling approximately $600,000 to renovate a food service area without competitive procurements, and did not adequately monitor two housekeeping contracts with one vendor totaling $1.3 million.	**Repeated** (Current Finding 7)
Finding 11	MSU could not document that it received and reviewed critical documentation to help monitor capital construction projects, and did not adjust contractor performance bonds when contract values increased.	Not repeated
Finding 12	MSU did not adequately control receipts at four locations which processed cash and check collections totaling $24.4 million in fiscal year 2016.	Not repeated
Finding 13	MSU did not adequately monitor corporate purchasing card purchases and did not comply with the requirements of the Comptroller of Maryland's *Corporate Purchasing Card Policy and Procedures Manual*.	Not repeated
Finding 14	MSU did not adequately account for and control its equipment inventory.	Not repeated (Not followed up on)
Finding 15	Sensitive personally identifiable information maintained by MSU was stored without adequate safeguards.	Status Redacted[2]
Finding 16	MSU did not adequately monitor user access to certain automated systems. As a result, critical functions were assigned to employees who did not need the access for their job duties and access was not terminated timely when employees left State service.	Status Redacted[2]
Finding 17	MSU lacked intrusion detection prevention system coverage for encrypted traffic entering the MSU network.	Status Redacted[2]

[2] Specific information on the current status of cybersecurity-related findings 15 through 17 included in the preceding audit report has been redacted from this publicly available audit report in accordance with State Government Article, Section 2-1224(i) of the Annotated Code of Maryland.

Findings and Recommendations

Student Accounts Receivable

Confidentiality Notice – Elements of Finding 1 have been deemed to be cybersecurity-related and have been redacted in this publicly available report.

Finding 1
MSU did not adequately monitor the vendor responsible for disbursing student refunds to ensure the refunds were properly issued and unissued refunds were returned.

Analysis

MSU did not adequately monitor the vendor responsible for disbursing student refunds to ensure the refunds were properly issued and unissued refunds were returned. Students are eligible for a refund when account credits (such as payments and financial aid awards) exceed charges (such as tuition, fees, and housing). MSU calculates the amount to be refunded and transfers funds weekly to a vendor to issue the refunds to the students. Any refunds that the vendor is unable to distribute (for example, if the student moved and could not be located or refund checks were not deposited) must be returned to MSU. According to MSU records, student refunds totaled approximately $60.5 million during calendar years 2019 and 2020. According to the vendor's records, between January 1, 2019 and August 30, 2021, approximately $4.1 million in refunds were returned to MSU as undeliverable.

- Although the vendor periodically provided MSU with an online report of refunds issued to students, MSU did not have a process to independently verify that the refunds were properly disbursed. MSU also did not have an adequate process to ensure that undelivered or uncashed refunds were returned to MSU and properly credited to student accounts. Specifically, there was no review to ensure the vendor returned the appropriate funds, and the review to ensure the undeposited refunds were properly credited to the student account was not independent as it was performed by the same employee who initially recorded the credits. In this regard, our limited testing of credits found undetected incorrect postings, which MSU advised us were due to clerical errors. Specifically, our test of ten refunds totaling approximately $41,800 processed during calendar years 2019 and 2020, including six that were ultimately returned to MSU, disclosed that three returned refunds totaling $6,800 were posted to the wrong student accounts.[3]

[3] Our selection was based on significant refunds and refund returns that appeared to have been credited to an incorrect account (for example, the account was never designated as due the refund).

- Redacted cybersecurity-related finding.

Recommendation 1
We recommend that MSU

a. perform independent reviews to ensure the vendor properly issued refunds to students and returned any amounts not disbursed (repeat);
b. establish an independent review process to ensure that returned refunds are properly credited to student accounts, and correct the recording discrepancies noted in this finding; and
c. redacted cybersecurity-related recommendation.

Finding 2
MSU did not independently verify the propriety of adjustments to student room and board charges, certain of which were not processed in accordance with MSU policy.

Analysis
MSU did not independently verify the propriety of adjustments to student room and board charges, certain of which were not processed in accordance with MSU policy. According to its records, between January 2019 and April 2021, MSU processed adjustments reducing room and board charges by approximately $16.9 million.

- Although MSU advised us that an employee verified that all adjustments recorded in student accounts had been reviewed and approved by management personnel prior to recording, this employee could also process adjustments, and therefore was not independent. As a result, there was a lack of assurance that adjustments processed were accurate and valid, and complied with MSU policy.

- Certain adjustments were not processed in accordance with MSU policy. Specifically, our test of 10 significant account adjustments that collectively reduced room and board charges by $46,470, and which MSU advised had been subject to the aforementioned supervisory review, disclosed that three adjustments totaling $13,150 were not processed in accordance with MSU policy. Specifically, based on the timing of the adjustment and MSU's policy for when an adjustment must be requested by a student, the applicable three students were not eligible for a reduction in their respective account balance. For example, an adjustment to one student's account of approximately $4,900 relating to the Spring 2020 semester was processed in February 2021. MSU's policy indicates that a student who submits a cancellation request after the

midterms of the semester to which the cancellation applies will not receive a refund. For 2 of the 3 adjustments, the required room and board cancellation form was not on file to support the adjustment. MSU advised there were extenuating circumstances that prompted the need to process these adjustments after the time period allowed. However, MSU did not have written justification and supervisory approval for doing so.

Similar conditions regarding the lack of independent verification of adjustments were commented upon in our preceding audit report.

Recommendation 2
We recommend that MSU

a. ensure that adjustments to student room and board charges are properly supported and subject to an effective independent supervisory review for propriety after being recorded in MSU's automated records (repeat),
b. ensure that justification for any deviation from its policy is documented and approved by supervisory personnel, and
c. review the aforementioned adjustments and take appropriate action as necessary.

Finding 3
Reviews of changes to student residency status were either not documented or not independent; and certain changes were not subject to review because system output reports used for this purpose were incomplete.

Analysis
Supervisory reviews of changes to initial student residency status determinations were not documented or were not independent; and not all residency changes were subject to review because system output reports used for this purpose were incomplete. Students are classified as in-state or out-of-state based on an evaluation of documentation to support their address at the time of enrollment. The student must request a change of residency and submit supporting documentation for any changes to the initial residency status. We were advised by MSU management that on a monthly basis these changes are reviewed for propriety on a test basis; however, we determined that the reviews were not documented or were not independent.

Furthermore, we noted that output reports that MSU advised were used to verify residency changes to in-State status did not include all changes made. According to output reports provided by MSU for the period January 2019 to April 2021, there were 1,105 changes made by its Admissions Office and 52 made by the

Registrar's Office. However, these reports did not include certain types of change transactions, such as those classified as first time changes. Although we noted that these changes were included on other reports of all changes made to student accounts, they were not subject to the aforementioned review, and because they were commingled with all changes, we could not readily determine how many such changes had been made. Our testing did not disclose any improper residency status changes.

MSU's Board of Regents *Policy on Student Residency Classification for Admission and Tuition Purposes* states that a student requesting initial in-state residency status must provide evidence of residency in the State for at least the last twelve consecutive months and, for a change in residency status, must submit an MSU *Petition for Change in Classification for Tuition Purposes* along with supporting evidence that provides clear and convincing evidence of his or her residency status, such as a valid Maryland driver's license.

We believe that an accurate student residency status determination is critical because of the significant differences between resident and nonresident tuition rates. For example, MSU's full-time undergraduate tuition and fee charges for the Spring 2021 semester totaled $3,814 for Maryland residents and $9,050 for non-Maryland residents. Similar conditions regarding inadequate controls over changes to student residency status were commented upon in our three preceding audit reports. In response to the prior audit report finding, MSU implemented the aforementioned monthly change review process; however, as noted above, the process was not sufficiently comprehensive to provide the recommended and necessary corrective action.

Recommendation 3
We recommend that MSU ensure that independent documented supervisory reviews of student residency changes are performed using output reports that include all changes made (repeat).

Finding 4
MSU did not adequately review deferred payment plan agreements to ensure they were proper.

Analysis
MSU did not adequately review deferred payment plan agreements to ensure they were proper. We tested 12 large agreements totaling approximately $53,900 processed between fiscal years 2019 and 2021. Our test disclosed that 11 agreements totaling $38,700 were reviewed by an employee who had the ability

to record deferred payment plans in MSU's automated records and therefore was not independent. In addition, MSU did not use available system output reports of recorded agreements to ensure all agreements were subject to a review and had not established a maximum amount that would be allowed to be rolled into a subsequent semester without a deferred payment plan.

According to MSU records, $39.6 million was deferred by students through payment plans between February 7, 2017 and July 1, 2021. The State's Central Collection Unit (CCU) has authorized MSU to award deferred payment agreements and to roll over "reasonable" charges[4] from semester to semester as long as the student is attending and passing classes. State law, which applies to all public institutions of higher learning, only allows balances of $250 or less to be carried forward to the next semester without a payment plan. MSU advised us that it deems the $250 threshold to be unreasonably low and might seek clarification of its authority (for example, future legislation) to carry over larger dollar amounts.

Recommendation 4
We recommend MSU

a. perform documented independent supervisory reviews of all deferred payment plan agreements using output reports of recorded plans, and
b. establish the maximum amount of a student's account balance that is allowed to be rolled into a subsequent semester without a deferred payment plan consistent with State law.

Finding 5
MSU did not periodically ensure that all eligible delinquent accounts were referred to CCU within the required time period.

Analysis
MSU did not periodically review student accounts to ensure that all eligible delinquent accounts were referred to the CCU within the required time period, and our testing disclosed numerous accounts for which referral was made as much as 10 months late and then only after our inquiry. As of April 2021, there were 974 student accounts with unpaid balances totaling approximately $2 million from the Summer 2020 semester and earlier, including approximately $774,000 and $476,000 from the Fall 2019 and Spring 2019 semesters, respectively.

[4] CCU's authorization to MSU does not define "reasonable" charges.

Our test of 11 of the 974 accounts[5] totaling $129,700, disclosed that each of the 11 had not been referred to CCU within the period established by CCU regulations, as modified for MSU. After our inquiries, MSU referred to CCU 9 of the accounts with balances totaling $101,000 for which 2 to 10 months had elapsed since the date the accounts were eligible for transfer.[6] The remaining 2 accounts with balances totaling $28,600 had not been referred as of October 18, 2021, which was 8 and 12 months after the date the respective account could have been transferred.

CCU regulations, as amended for MSU, generally require delinquent accounts for non-enrolled students be sent to CCU two semesters after the charges were incurred. For example, Spring 2019 charges should be referred to CCU after the Spring 2020 semester.

Recommendation 5
We recommend that MSU establish procedures to periodically review student accounts to ensure that all eligible delinquent accounts are referred to CCU in accordance with CCU regulations as amended for MSU, including the two delinquent accounts noted above.

Financial Aid and Scholarships

Finding 6
MSU did not conduct comprehensive reviews of honors scholarship awards to ensure the awards were proper, and did not take required action when students did not maintain their eligibility. As a result, certain awards were overstated or issued to ineligible students.

Analysis
MSU did not conduct comprehensive reviews of honors scholarship awards to ensure the awards were proper, and did not take required action when students did not maintain eligibility for these scholarships. As a result, we found that certain awards were overstated or issued to ineligible students. According to MSU records, honors scholarships awarded to students during the Fall and Spring semesters from 2017 through 2021 totaled approximately $21.3 million.

[5] We selected accounts of students not currently enrolled, but with significant account balances that had been outstanding for an extended period of time.

[6] Under normal conditions, certain test items would have been eligible for submission to CCU in June 2020. In calculating the delay, we used October 2020 because CCU was not actively collecting debt between April and October 2020 due to the COVID-19 pandemic.

- MSU's review process of scholarship awards did not include a verification to supporting documentation such as student transcripts and test scores. In addition, MSU's review did not identify certain improper awards, such as scholarship amounts that were overstated or awards to ineligible students. For example, our test of six honors scholarships[7] totaling approximately $81,800 awarded during fiscal years 2019 or 2021 disclosed that one award totaling $27,900 exceeded the $10,000 maximum annual award limit by $17,900. In addition, two awards totaling $55,400, including the aforementioned award of $27,900, were made to students who were not eligible; for example, based on their grade point average. As of the time of our review in June 2021, these two students had received honors scholarships totaling $106,800 while attending MSU.

- MSU did not always cancel a student's award, as required by its policy, when the student did not earn or maintain the grade point average required for continued eligibility. Our test of the aforementioned six awards disclosed that the remaining four students who were initially deemed eligible by MSU subsequently became ineligible based on their grade point averages. However, MSU did not discontinue these scholarships, and these students received $51,800 after failing to earn or maintain the grade point average required for eligibility. For example, one student became ineligible in the Fall 2018 semester and continued to receive scholarships for five additional semesters while ineligible.

Recommendation 6
We recommend that MSU

a. conduct comprehensive reviews to supporting documentation of initial honors scholarship awards to ensure their propriety,
b. take the action required by its policy when a student is no longer eligible for an honors scholarship, and
c. review the scholarships noted in our finding and take any appropriate action warranted.

Contracts and Disbursements

Background

MSU established procurement policies and procedures that have been approved by its Board of Regents and by the Board of Public Works (BPW). According to

[7] Our selection was made from students who received awards and appeared to have high school or MSU GPAs, or standardized test scores lower than those of most other students in MSU's records.

State and MSU records, during our audit period, 6,215 purchase orders totaling $217.5 million were issued (excluding capital construction). We judgmentally selected and reviewed the procurements of seven contracts collectively valued at $99.7 million, and security guard services with payments totaling approximately $7.8 million as of April 2021 that we found MSU obtained from an eighth vendor using multiple purchase orders and change orders over the course of five years rather than one multi-year contract (see figure 2). We also reviewed MSU's contract monitoring and disbursements processes for seven of these contracts that had expenditures totaling $10.1 million as of April 2021.

Figure 2
Summary of Procurements Reviewed

Item	Description of Goods or Services	Type of Procurement	Total Contract Value	Total Payments as of April 2021
1	Dining Services	Competitive Sealed Proposal	$97,397,000	$332,382
2	Interpretation Services	Competitive Sealed Bid	288,000	582,253
3	Computer Software	Intergovernmental Cooperative Purchasing Agreement (ICPA)	205,869	205,869
4	Research Equipment	Sole Source	162,756	162,756
5	Computer Hardware and Installation	State-wide Master Contract	601,000	250,000
6	Student Housing	Emergency	890,000	890,000
7	Computer Software	ICPA	194,258	194,258
8	Security Guards	No Competitive Procurement	No Multiyear Contract	7,847,348
Total			**$99,738,883**	**$10,464,866**

Source: MSU Procurement Records

Finding 7
MSU did not procure certain goods and services in accordance with its policies and procedures, and did not ensure related goods and services were received and amounts invoiced were proper.

Analysis
MSU did not procure goods and services for five of the eight procurements tested in accordance with its policies and procedures, and did not always ensure related goods and services were received and amounts invoiced were proper.

Security Guard Services
MSU did not competitively procure or obtain Board of Public Works (BPW) approval for security guard services obtained from one vendor during the period from November 2016 through June 2021. Specifically, instead of issuing a competitively procured single multi-year contract for these services, MSU issued six individual purchase orders totaling $6.5 million, five of which exceeded the $1 million threshold requiring BPW approval (after six change orders totaling $2.2 million).

According to MSU's records, these services were originally obtained through an emergency procurement, and then under an Intergovernmental Cooperative Purchasing Agreement (ICPA). However, MSU could not document that it procured the services under the ICPA and documentation prepared by the ICPA agency indicated MSU was not eligible to participate in that ICPA. We also noted that MSU did not obtain documentation, such as daily logs of hours and locations worked, to support vendor billings. We believe that given the historically high cost of the annual services, a competitive procurement should be have been conducted, a formal comprehensive contract executed, and BPW approval obtained, as appropriate. Our position was confirmed by BPW's procurement officer.

Computer Hardware and Installation
MSU procured computer hardware and installation services under a Department of Information Technology (DoIT) master contract without soliciting more than one of the available pre-qualified vendors as required, and without establishing a separate detailed written contract. MSU management advised us that the vendor selected had been used on other MSU projects, and they believed it was the best qualified vendor. We also noted that the resultant sales quote and purchase order did not provide sufficient detail to enable MSU to adequately monitor the products and services received (such as, a breakdown of the costs of each product and service to be provided, when payments were to be made, or

project milestones). MSU also could not document the delivery of certain billed equipment totaling $250,000.

Intergovernmental Cooperative Purchasing Agreements

MSU did not document that its use of an ICPA for two procurements totaling approximately $400,100 was in the best interest of MSU, and that the ICPA contract originally had been awarded using a proper procurement process, such a negotiated procurement, as required by MSU's procurement policies and procedures for ICPAs. In addition, MSU did not ensure its contract terms, such as prices and amounts, were consistent with the ICPA, and for one contract did not solicit quotes from all vendors available through the ICPA.

Sign Language Interpretation Services

MSU did not verify that interpreters provided the services invoiced, and instead assumed the service was provided unless a student reported otherwise. In addition, MSU paid for services beyond those stipulated in the contract. For example, the contract called for a total of 690 hours of interpretive services for three students during the Fall and Spring semesters over the three-year life of the contract. However, in November 2019 MSU paid $58,300 for 834 hours of service provided to four students for just one month. As of April 2021 (28 months into the contract period), MSU payments to the vendor exceeded the contract by $294,300.

Emergency Procurement of Student Housing

MSU did not maintain required documentation for an emergency procurement of 100 hotel rooms to be used for student housing. MSU advised us that that due to the COVID-19 pandemic, it needed as many hotel rooms as possible to accommodate students and that it had contacted other hotels, but no other space was available. MSU could not provide us with required documentation including a description of the efforts made to ensure that the University received reasonable value, and a listing of the hotels solicited. Although we acknowledge the uncertainty during the COVID-19 pandemic that resulted in actions MSU deemed necessary to best serve its student body, the circumstances did not alleviate the need to adequately document all actions taken to safeguard the University's financial resources. MSU ultimately did not use the rooms because classes were held virtually for the Fall 2020 semester but still had to pay liquidated damages equal to 100 percent of the contract value ($890,000) as stipulated in the contract.

MSU's procurement policies and procedures generally require competitive procurements, as well as executed contracts with certain specific terms and conditions for purchases over $100,000, including the scope of the contract,

compensation, and method of payment. In addition, service contracts valued over $1 million require Board of Public Works approval. Similar conditions regarding a lack of competitive procurements and insufficient verification of vendor billings were included in our preceding audit report.

Recommendation 7
We recommend that MSU

a. competitively procure and execute contracts in accordance with its policies and procedures (repeat);
b. obtain BPW approval as required, including retroactive approval for the security guard services noted above;
c. comply with DoIT master contracts and MSU ICPA requirements;
d. verify that all goods and services have been received (repeat);
e. obtain adequate support and ensure amounts invoiced and paid are proper and consistent with the related contract;
f. fully document, in accordance with its procurement policies and procedures, its use of all emergency procurements; and
g. determine if any amounts were improperly paid and recover any such amounts.

Information Systems Security and Control

Background
MSU's Division of Information Technology maintains campus-wide administrative applications, including the student administration, human resources, and financial system. The Division also maintains a website that functions as an entry point to many of MSU's information technology services. Furthermore, the Division also operates an integrated administrative and academic computer network, which provides connectivity to the internet, protective firewall appliances, and multiple servers used for administrative and academic applications and related databases.

We determined that Findings 8 through 10 related to "cybersecurity", as defined by the State Finance and Procurement Article, Section 3A-301(b) of the Annotated Code of Maryland, and therefore are subject to redaction from the publicly available report in accordance with the State Government Article, Section 2-1224(i). Consequently, the specifics of the following findings, including the analysis, related recommendations, along with MSU's responses, have been redacted from this report copy.

Finding 8
Redacted cybersecurity-related finding.

Finding 9
Redacted cybersecurity-related finding.

Finding 10
Redacted cybersecurity-related finding.

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of Morgan State University (MSU) for the period beginning January 4, 2017 and ending April 30, 2021. 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 MSU'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, student accounts receivable, financial aid, cash receipts, payroll, construction, and information technology systems. We also determined the status of 15 of the 17 findings in our preceding audit report.

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 MSU'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 MSU.

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 January 4, 2017 to April 30, 2021, but may include transactions before or after this period as we considered necessary to achieve our audit objectives.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, tests of transactions, and to the extent practicable, observations of MSU 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 MSU's financial system for the purpose of testing certain areas, such as payroll, purchases, disbursements, 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.

MSU'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 MSU, 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 MSU's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our report also includes findings regarding significant instances of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to MSU that did not warrant inclusion in this report.

State Government Article Section 2-1224(i) requires that we redact in a manner consistent with auditing best practices any cybersecurity findings before a report is made available to the public. This results in the issuance of two different versions of an audit report that contains cybersecurity findings – a redacted version for the public and an unredacted version for government officials responsible for acting on our audit recommendations.

The State Finance and Procurement Article, Section 3A-301(b), states that cybersecurity is defined as "processes or capabilities wherein systems, communications, and information are protected and defended against damage, unauthorized use or modification, and exploitation". Based on that definition, and in our professional judgment, we concluded that certain findings in this report fall under that definition. Consequently, for the publicly available audit report all specifics as to the nature of cybersecurity findings and required corrective actions have been redacted. We have determined that such aforementioned practices, and government auditing standards, support the redaction of this information from the public audit report. The specifics of these cybersecurity findings have been communicated to MSU and those parties responsible for acting on our recommendations in an unredacted audit report.

MSU's response to our findings and recommendations is included as an appendix to this report. Depending on the version of the audit report, responses to any cybersecurity findings may be redacted in accordance with State law. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise MSU regarding the results of our review of its response.

APPENDIX

MORGAN STATE UNIVERSITY
GROWING THE FUTURE • LEADING THE WORLD

Office of the President

September 7, 2022

Mr. Gregory A. Hook, CPA
Legislative Auditor
Office of Legislative Audits
The Warehouse at Camden Yards
351 West Camden Street, Suite 400
Baltimore, MD 21201

Mr. Hook:

I have enclosed Morgan State University's responses to your draft report for the audit period of January 4, 2017 through April 30, 2021. Our comments refer to the individual items in the report.

Kind regards,

David K. Wilson
President

Enclosures

cc:
Dr. Kevin M. Banks, Vice President for Student Affairs
Mr. Sidney H. Evans, Jr., Executive Vice President and CFO for Finance and Administration
Ms. Deborah A. Flavin, Associate Vice President of Accounting Operations and Compliance
Mr. E. David LaChina, Associate Vice President for Finance and Administration
Mr. Abraham Mauer, Director for the Office of Internal Audit and Management Review
Mr. Kweisi Mfume, Chair, Board of Regents
Dr. Bisi Oladipupo, Vice President for Technology and CIO
Dr. Kara M. Turner, Vice President for Enrollment Management and Student Success
Dr. Don-Terry Veal, Vice President, State and Federal Relations and Chief of Staff
Dr. Hongtao Yu, Provost and Senior Vice President for Academic Affairs

Morgan State University

Agency Response Form

Student Accounts Receivable

The Office of Legislative Audits (OLA) has determined that elements of Findings 1 related to "cybersecurity", as defined by the State Finance and Procurement Article, Section 3A-301(b) of the Annotated Code of Maryland, and therefore are subject to redaction from the publicly available audit report in accordance with State Government article 2-1224(i). The specifics of the finding, including the analysis, related recommendation (1c), along with MSU's response, have been redacted from this report copy. Furthermore, although MSU's response indicated "disagreement" with the cybersecurity recommendation, our analysis of MSU's response concluded it included elements or corrective actions that would be consistent with our recommendation.

Finding 1
MSU did not adequately monitor the vendor responsible for disbursing student refunds to ensure the refunds were properly issued, unissued refunds were returned, and sensitive student information was safeguarded.

We recommend that MSU

a. perform independent reviews to ensure the vendor properly issued refunds to students and returned any amounts not disbursed (repeat);
b. establish an independent review process to ensure that returned refunds are properly credited to student accounts, and correct the recording discrepancies noted in this finding; and
c. redacted cyber-security recommendation.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	Note, the $4.1M stated in the introductory paragraph includes refunds issued to students during the pandemic related to housing and room and board charges for the closure of the campus during the pandemic.		
Recommendation 1a	Agree	**Estimated Completion Date:**	December, 2022
Please provide details of corrective action or explain disagreement.	MSU notes the current process of issuing refunds has not resulted in any material financial errors or unresolved student matters. Due to the pandemic staffing shortages, MSU is currently undertaking a restructuring of the Bursar Office to ensure sufficient staffing to allow for independent reviews and better adherence to procedures and internal controls. *Based on our discussion, MSU does not believe this is a repeat finding as there is a process*		

	for undeliverable refunds and amounts are returned to MSU. MSU agrees with independent review recommendation.		
Recommendation 1b	Agree	**Estimated Completion Date:**	December, 2022
Please provide details of corrective action or explain disagreement.	MSU notes the current process of issuing refunds has not resulted in any material financial errors or unresolved student matters. Corrections identified in this report have already been completed. Due to the pandemic staffing shortages, MSU is currently undertaking a restructuring of the Bursar Office to ensure sufficient staffing to allow for independent reviews and better adherence to procedures and internal controls. *MSU notes that item a. and b. are very similar (are the same process just different steps), an independent review would cover both steps and should be combined and reworded based upon our discussion.*		
Recommendation 1c	Disagree	**Estimated Completion Date:**	
Please provide details of corrective action or explain disagreement.	**Agency Response has been redacted by OLA.**		

Morgan State University

Agency Response Form

Finding 2
MSU did not independently verify the propriety of adjustments to student room and board charges, certain of which were not processed in accordance with MSU policy.

We recommend that MSU

a. ensure that adjustments to student room and board charges are properly supported and subject to an effective independent supervisory review for propriety after being recorded in MSU's automated records (repeat),

b. ensure that justification for any deviation from its policy is documented and approved by supervisory personnel, and

c. review the aforementioned adjustments and take appropriate action as necessary.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	To provide additional details, procedurally, each room and board adjustment is independently reviewed for appropriateness by the Director of the Office of Residence Life and Housing (ORL&H) and approved by the Vice President (VP) of the Division of Student Affairs (SA) before it is entered to the information system. To help ensure that no transaction is executed in the system without the proper approval, at the end of each semester, the Fiscal Manager traces each adjustment on the output report to the approval form signed by the VP of SA to ensure propriety. However, as the auditors pointed out correctly, the Fiscal Manager had access in the information system to execute adjustments, albeit this individual did not do so and was unaware of this capability, thereby rendering this person's review not independent.		
Recommendation 2a	Agree	**Estimated Completion Date:**	August, 2022
Please provide details of corrective action or explain disagreement.	The Fiscal Manager can no longer apply room or board adjustments in the system, as we revoked this access during the audit. The effectiveness of this individual's review has been restored and is now independent. The cited adjustments that were processed beyond the allowed timeline and without sufficient documentation are primarily extenuating circumstances that were beyond the control of the student and at times were initiated by the University (e.g. policy change to move upper classmen off campus in middle of a semester and to charge them at the reduced on-campus rate). We will revise the policy to address these exceptions and to require documentation that is acceptable to the auditors. More specifically, we will add language to the student Hall Agreement outlining specific and applicable guidelines regarding "extenuating circumstances," and implement a form to document and support this accordingly. This language will be added to support a more congruent demonstration of compliance.		
Recommendation 2b	Agree	**Estimated Completion Date:**	August, 2022

Morgan State University

Agency Response Form

Please provide details of corrective action or explain disagreement.	The process for documenting the independent supervisory approval of a departure from the policy has since been enhanced to meet the requirements of the audit.		
Recommendation 2c	Agree	**Estimated Completion Date:**	September, 2022
Please provide details of corrective action or explain disagreement.	We will review the aforementioned adjustments and take the appropriate action, as recommended by the auditors.		

Morgan State University

Agency Response Form

Finding 3
Reviews of changes to student residency status were either not documented or not independent; and certain changes were not subject to review because system output reports used for this purpose were incomplete.

We recommend that MSU ensure that independent documented supervisory reviews of student residency changes are performed using output reports that include all changes made (repeat).

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	• The system output report cited by the auditors' recommendation includes all changes made to a student record, not just residency updates, but any insertion of a general student record on the applicable screen in the automated information system, including when a change in major, readmission, or when an archive record has to be rebuilt and others. • Supervisory reviews were performed and documented.		
Recommendation 3	Disagree	**Estimated Completion Date:**	December, 2022
Please provide details of corrective action or explain disagreement.	• There is an extensive tracking process in place for monitoring any updates made to residency. As OLA noted, their testing did not disclose any improper residency changes, and we remain confident that the internal controls are effective. MSU will, however, work to determine the feasibility of a more refined system output report that can identify residency updates while excluding the thousands of other updates to the student record currently displayed in the report. • Concerted good faith effort was made after the previous audit to ensure that supervisory reviews were both performed and sufficiently documented. There are either paper or electronic trails to support the reviews. In one instance, though the supervisory reviews were done and were provided upon request, the process for documenting the independent review did not meet the auditors' expectation. We will work to further enhance the process for documenting that the supervisory review was completed, but we disagree that this should be a repeat finding.		

Auditor's Comment: MSU's response indicated disagreement with the recommendation. However, the response stated that MSU would work to enhance the process for documenting that supervisory reviews were completed, and would work to determine the feasibility of refining system output reports that can identify residency updates. These steps, including assurance that the reviews are performed by independent personnel would be consistent with our recommendation.

Morgan State University

Agency Response Form

Finding 4
MSU did not adequately review deferred payment plan agreements to ensure they were proper.

We recommend MSU

a. perform documented independent supervisory reviews of all deferred payment plan agreements using output reports of recorded plans, and

b. establish the maximum amount of a student's account balance that is allowed to be rolled into a subsequent semester without a deferred payment plan consistent with State law.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 4a	Agree	**Estimated Completion Date:**	December, 2022
Please provide details of corrective action or explain disagreement.	Due to the pandemic staffing shortages, MSU is currently undertaking a restructuring of the Bursar Office to ensure sufficient staffing to allow for independent reviews and better adherence to procedures and internal controls.		
Recommendation 4b	Agree	**Estimated Completion Date:**	December, 2022
Please provide details of corrective action or explain disagreement.	MSU will undertake an analysis to assess a "reasonable" maximum amount of a student's account balance that is allowed to be rolled into a subsequent semester without a deferred payment plan.		

Morgan State University

Agency Response Form

Finding 5
MSU did not periodically ensure that all eligible delinquent accounts were referred to CCU within the required time period.

We recommend that MSU establish procedures to periodically review student accounts to ensure that all eligible delinquent accounts are referred to CCU in accordance with CCU regulations as amended for MSU, including the two delinquent accounts noted above.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 5	Agree	**Estimated Completion Date:**	December, 2022
Please provide details of corrective action or explain disagreement.	Due to the pandemic staffing shortages, MSU is currently undertaking a restructuring of the Bursar Office to ensure sufficient staffing to allow for periodic review of student accounts to ensure that all eligible delinquent accounts are referred to CCU in accordance with MSU practice and procedure.		

Morgan State University

Agency Response Form

Financial Aid and Scholarships

Finding 6
MSU did not conduct comprehensive reviews of honors scholarship awards to ensure the awards were proper, and did not take required action when students did not maintain their eligibility. As a result, certain awards were overstated or issued to ineligible students.

We recommend that MSU

a. conduct comprehensive reviews to supporting documentation of initial honors scholarship awards to ensure their propriety,
b. take the action required by its policy when a student is no longer eligible for an honors scholarship, and
c. review the scholarships noted in our finding and take any appropriate action warranted.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 6a	Agree	**Estimated Completion Date:**	August, 2022
Please provide details of corrective action or explain disagreement.	In January 2022, a new executive director for the Honors College was installed. Subsequently, the admission and scholarship award processes were revisited and are in the process of being updated to address the audit recommendations. We will improve the level of documentation and increase the rigor of our review going forward.		
Recommendation 6b	Agree	**Estimated Completion Date:**	August, 2023
Please provide details of corrective action or explain disagreement.	Due to inopportune disruptions of COVID-19 and especially mid-year leadership changes, recovery period of one additional semester has been extended to students noted in above. Students will now have till Spring 2023 to meet the GPA threshold or their Scholarship and Honors College membership will be deactivated. As of the Spring 2022 semester, a comprehensive review of all current Honors College scholarships is conducted and documented. As per the handbook, warning letters were sent to all those not meeting the academic GPA threshold.		
Recommendation 6c	Agree	**Estimated Completion Date:**	August, 2022

Morgan State University

Agency Response Form

Please provide details of corrective action or explain disagreement.	We will review the exceptions noted and take the appropriate course of action.

Morgan State University

Agency Response Form

Contracts and Disbursements

Finding 7
MSU did not procure certain goods and services in accordance with its policies and procedures, and did not ensure related goods and services were received and amounts invoiced were proper.

We recommend that MSU

a. competitively procure and execute contracts in accordance with its policies and procedures (repeat);
b. obtain BPW approval as required, including retroactive approval for the security guard services noted above;
c. comply with DoIT master contracts and MSU ICPA requirements;
d. verify that all goods and services have been received (repeat);
e. obtain adequate support and ensure amounts invoiced and paid are proper and consistent with the related contract;
f. fully document, in accordance with its procurement policies and procedures, its use of all emergency procurements; and
g. determine if any amounts were improperly paid and recover any such amounts.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 7a	Agree	**Estimated Completion Date:**	December, 2022
Please provide details of corrective action or explain disagreement.	MSU notes that additional documentation could have been enhanced for purchases during the pandemic. The University has hired a new director of Procurement. The Procurement department is undertaking a review of the procurement process for all new contracts and expiring contracts to ensure compliance with the MSU Procurement Policies and Procedures. New procurement policies and procedures will be presented to the Morgan Board of Regents and the Board of Public Works.		
Recommendation 7b	Agree	**Estimated Completion Date:**	December, 2022
Please provide details of corrective action or explain disagreement.	MSU has issued a competitive IFB in accordance with MSU Procurement Policies & Procedures. Appropriate approvals, including Board of Regents and Board of Public Works will be sought as appropriate and in accordance with MSU Procurement Policies & Procedures.		
Recommendation 7c	Agree	**Estimated Completion Date:**	December, 2022

Morgan State University

Agency Response Form

Please provide details of corrective action or explain disagreement.	MSU notes that additional documentation could have been enhanced for purchases during the pandemic. The University has hired a new director of Procurement. The Procurement department is undertaking a review of the procurement process for all new contracts and expiring contracts to ensure compliance with the MSU Procurement Policies and Procedures. New procurement policies and procedures will be presented to the Morgan Board of Regents and the Board of Public Works. MSU is in the process of reviewing and updating its current Procurement Policies & Procedures to include the development of policy interpretations to provide clarity and consistency in documenting procurements though consortiums, cooperatives, or other procurement vehicles.		
Recommendation 7d	Agree	**Estimated Completion Date:**	December, 2022
Please provide details of corrective action or explain disagreement.	MSU notes that additional documentation could have been enhanced for purchases during the pandemic. MSU is in the process of reviewing and possibly updating its current Procurement Policies & Procedures to include the development of policy interpretations to provide clarity and consistency in monitoring and documenting contract compliance. MSU will be reviewing the post procurement phase of contract implementation and developing a process, to include the department responsible for managing the contracted service, to confirm and document proper receipt and acceptance of related goods and services as part of the contract compensation and payment process.		
Recommendation 7e	Agree	**Estimated Completion Date:**	December, 2022
Please provide details of corrective action or explain disagreement.	MSU notes that additional documentation could have been enhanced for purchases during the pandemic. MSU is in the process of reviewing and possibly updating its current Procurement Policies & Procedures to include the development of policy interpretations to provide clarity and consistency in monitoring and documenting contract compliance. MSU will be reviewing the post procurement phase of contract implementation and developing a process, to include the department responsible for managing the contracted service, to confirm and document proper receipt and acceptance of related goods and services as part of the contract compensation and payment process.		
Recommendation 7f	Agree	**Estimated Completion Date:**	December, 2022
Please provide details of corrective action or explain disagreement.	MSU notes that additional documentation could have been enhanced for purchases during the pandemic. MSU is in the process of reviewing and possibly updating its current Procurement Policies & Procedures to include the development of policy interpretations to provide clarity and consistency in approving emergency purchases. Note the emergency procurement cited in this finding went through legal and BoR / BPW approval as required. Clarity on what additional documentation is needed would be helpful.		
Recommendation 7g	Disagree	**Estimated Completion Date:**	

Morgan State University

Agency Response Form

Please provide details of corrective action or explain disagreement.	MSU asserts no amounts for services have been improperly paid. While payments may have exceeded amounts contained in a particular contract noted in the analysis, MSU asserts that the payments made were for services duly rendered and within the scope of the agreement and are therefore proper.

Auditor's Comment: In its response, MSU indicated disagreement with the recommendation to determine if any amounts were improperly paid and recover such amounts. MSU specifically asserts in the response that no amounts were improperly paid. However, since the response includes no specific reference to any subsequent actions MSU took to ensure that no amounts related to the matters identified in Finding 7 were improperly paid, we are compelled to conclude that MSU's assertion is unsubstantiated.

Agency Response Form

Information Systems Security and Control

OLA has determined that Findings 8 through10 related to "cybersecurity", as defined by the State Finance and Procurement Article, Section 3A-301(b) of the Annotated Code of Maryland, and therefore are subject to redaction from the publicly available audit report in accordance with State Government article 2-1224(i). Although the specifics of the findings, including the analysis, related recommendations, along with MSU's responses, have been redacted from this report copy, MSU's responses indicated agreement with the findings and recommendations.

Finding 8
Redacted cybersecurity-related finding.

Agency Response has been redacted by OLA.

Finding 9
Redacted cybersecurity-related finding.

Agency Response has been redacted by OLA.

Finding 10
Redacted cybersecurity-related finding.

Agency response has been redacted by OLA.

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