

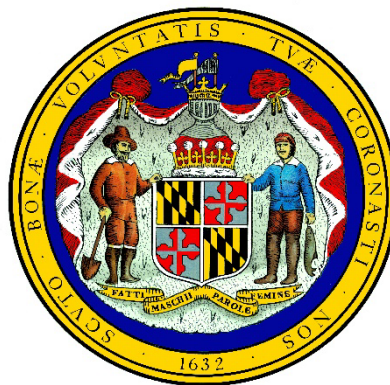
Audit Report

University System of Maryland University of Maryland, Baltimore

August 2025

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 a reference to cybersecurity information from this public report.



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MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

August 19, 2025

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

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the University System of Maryland (USM) – University of Maryland, Baltimore (UMB) for the period beginning September 1, 2021 and ending May 31, 2024. UMB is a comprehensive public institution of USM and operates under the jurisdiction of USM's Board of Regents. UMB provides professional and graduate level instruction through its schools of Dentistry, Law, Medicine, Nursing, Pharmacy, Social Work, and its School of Graduate Studies.

Our audit disclosed that UMB did not have sufficient procedures and controls over its 2,300 research grants with fiscal year 2024 expenditures totaling \$479.4 million. Specifically, UMB did not require a written justification when a non-competitive process was used to select individuals and entities to work on the grants. In addition, UMB did not have adequate procedures and controls to mitigate potential conflicts of interest on research grants and ensure adequate oversight and transparency. For example, UMB did not require independent authorization or oversight of individuals or entities with whom researchers had a conflict of interest (a control in place at another USM university), and did not require independent supervisory approval of grant financial activity or amounts invoiced by these individuals or entities.

Our audit further disclosed that UMB did not obtain documentation to support that amounts invoiced by grantees were consistent with the related grant agreements. UMB also did not refer certain delinquent grant receivable balances to the State's Central Collection Unit, as required. This condition was commented upon in our preceding audit report but not corrected. As of May 2024, grant receivables totaled \$47 million, of which \$3.6 million was more than 180 days past due.

Finally, UMB did not verify that its use of contracts procured by other entities was in the best interest of UMB and did not verify that rates charged were consistent with the related contracts. For example, UMB procured a contract for heating ventilation and air conditioning services totaling \$4.3 million under an Intergovernmental Cooperative Purchasing Agreement (ICPA) without obtaining details reviewing the procurement method used by the ICPA.

USM's response to this audit, on behalf of UMB, is included as an appendix to this report. We reviewed the response and noted agreement to our findings and related recommendations and will notify USM of any needed clarification to ensure the responses sufficiently address the related findings.

We wish to acknowledge the cooperation extended to us during the audit by UMB.

Respectfully submitted,

Brian S. Tanen

Brian S. Tanen, CPA, CFE
Legislative Auditor

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

Background Information

Agency Responsibilities

The University of Maryland, Baltimore (UMB) provides professional and graduate level instruction through its schools of Dentistry, Law, Medicine, Nursing, Pharmacy, and Social Work, and its School of Graduate Studies. UMB students who receive instruction in health care professions obtain clinical experience at various health care facilities, including the University of Maryland Medical Center, which is a component of the University of Maryland Medical System Corporation. According to UMB's records, student enrollment for the Fall 2024 semester totaled 6,636 students.

UMB'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, fiscal year 2024 revenues totaled approximately \$1.6 billion, including a State general fund appropriation of \$341.4 million (see Figure 1).

UMB is the Capital Projects Service Center to Baltimore-area USM schools (University of Baltimore, Towson University, Coppin State University, University of Maryland, Baltimore County) and provides facilities programing, design, and construction services for large renovation and capital projects. According to the State's records, UMB's fiscal year 2024 disbursements for capital projects for UMB and these institutions totaled approximately \$47.7 million.

Figure 1
UMB Positions, Expenditures, and Funding
Sources

Full Time Equivalent Positions as of June 30, 2024	
	Positions
Filled	5,404
Vacant	242
Total	5,646
Fiscal Year 2024 Expenditures	
	Expenditures
Salaries, Wages and Fringe Benefits	\$1,097,400,381
Technical and Special Fees	3,554,571
Operating Expenses	481,354,318
Total	\$1,582,309,270
Fiscal Year 2024 Funding Sources	
	Funding
<u>Unrestricted</u>	
General Fund	\$ 341,354,093
Tuition and Fees	175,640,301
Other University Revenues ¹	375,978,758
	892,973,152
<u>Restricted</u>	
Federal Grants and Contracts	248,886,705
Other Gifts, Grants, and Contracts	440,449,413
	689,336,118
Total	\$1,582,309,270

Source: State financial records and UMB personnel records

¹ Includes revenues from Educational Activities (\$206 million), Auxiliary Services (\$30 million), and from the Higher Education Investment Fund (\$24 million).

Status of Findings from Preceding Audit Report

Our audit included a review to determine the status of the six findings contained in our preceding audit report dated March 1, 2023. See Figure 2 for the results of our review.

Figure 2 Status of Preceding Findings		
Preceding Finding	Finding Description	Implementation Status
Finding 1	The University of Maryland, Baltimore (UMB) did not independently review for propriety changes to student residency status that significantly impacted tuition rates.	Not repeated
Finding 2	Reviews performed by UMB for ensuring the propriety of certain financial aid award adjustments were not independent, sufficiently comprehensive, and were not documented.	Not repeated
Finding 3	UMB did not refer certain delinquent grant receivable balances to the State's Central Collection Unit as required.	Repeated (Current Finding 4)
Finding 4	UMB did not perform documented independent verifications that collections received by university departments were forwarded to the Cashier's Office for deposit.	Not repeated
Finding 5	UMB did not adequately document the review of adjustments to leave balances recorded in UMB's payroll system, resulting in a lack of assurance that all recorded adjustments were valid.	Not repeated
Finding 6	Redacted cybersecurity-related finding. ²	Not repeated

² The description of this cybersecurity-related finding has been redacted from the publicly available report in accordance with State Government Article, Section 2-1224(i) of the Annotated Code of Maryland.

Findings and Recommendations

Research Grants and Contracts

Background

The University of Maryland, Baltimore (UMB) is engaged in a broad variety of research areas addressing regional, national, and global challenges ranging from medical, human health, life-science, societal, and legal advancements. For example, UMB performs research in areas such as genomics, transplantation, diabetes and obesity, cardiovascular health, opioid disorders, brain injury, obstetrics, oral health technologies, sports medicine, and trauma surgery. UMB relies upon grants, collaboration and partnerships with government, for-profit and non-profit entities to further UMB's mission, promote innovation and discovery, commercialize intellectual property and continue UMB's reputation as a premier research institution. UMB also invests its own resources and funds into the research activities.

Research Grant Process

Research grants and agreements are generally obtained through a grant proposal which generally includes a description of the intended research being funded, key personnel working on the research, and a listing of any subrecipients to be funded with the grant. Each grant and agreement has a faculty member who acts as the Principal Investigator (PI) who is responsible for all aspects of research projects, including scholarly activity and proper stewardship of awards. PI's work with the department and central administration staff to develop grant proposals.

PIs will often collaborate on research with individuals and/or entities based on their experience or anticipated contributions to the research with or without a competitive selection process. This may include individuals or entities with whom the PI has a relationship, including ownership, which may be considered a conflict of interest. In this regard, State law provides exemptions from conflict of interest standards under the State Ethics law for public senior higher education institutions personnel engaged in research and development activities. The law was intended to limit obstacles to commercialization of academic research activities.

To address the risks associated with these possible conflicts, State law requires the institutions to adopt policies and procedures to ensure the integrity of the grants. In this regard, UMB's *Procedures Implementing Board of Regents Policy on Conflicts of Interest in Research or Development* requires annual disclosure of potential conflicts of interest, including grants and agreements, and may require a management plan to monitor the relationship.

According to UMB's records and UMB's financial statements for fiscal year 2024, there were approximately 2,300 open grant awards as of June 2024 with research expenditures totaling \$479.4 million.

Finding 1 (Policy Issue)

UMB policy and procedures did not require a written justification when a non-competitive process was used to select individuals and entities to work on research grants and agreements.

Analysis

UMB policy and procedures did not require a written justification when a non-competitive process was used to select individuals and entities to work on research grants and agreements. UMB management advised us that PIs on the grant were responsible for making the selection, which often used a non-competitive process due to the unique expertise in relation to the grant. These individuals and entities were often included in grant proposals.

Our review disclosed that UMB did not require a written justification when a non-competitive method was used to select individuals or entities working on the grant. This is critical to ensure transparency and integrity of the process, especially when it involves individuals or entities that have conflicting relationships. Specifically, our test of six non-competitive awards to entities totaling approximately \$5.2 million on three research grants and agreements disclosed there was no written justification for the selection to justify the use of a non-competitive process. Two of these awards totaling \$3.1 million were to entities owned by UMB faculty members, thereby having a direct financial relationship.

State laws and regulations, as well as University System of Maryland (USM) policy, generally require a written justification and independent approval when a non-competitive process is used to obtain goods and services. Given UMB's substantial research funding from other parties, exclusions from USM's *Procurement Policies and Procedures*, and exemptions from State Ethics law for conflicts of interest, we believe written justifications should be required to enhance transparency, accountability, and the integrity of the process.

Recommendation 1

We recommend that UMB enhance its existing policies and procedures by requiring documented written justification and independent review and approval when a non-competitive process is used.

Finding 2**UMB did not have adequate procedures and controls to mitigate potential conflicts of interest on research grants.****Analysis**

UMB did not have adequate procedures and controls to mitigate potential conflicts of interests on research grants. According to UMB's aforementioned policy, when faculty members are involved in research activity, the faculty and the institution have a joint obligation to ensure that the faculty activities, statements, evaluations, and recommendations, do not improperly give advantage to an entity with which they have a relationship. A conflict of interest (COI) is a relationship which could (or could reasonably be perceived to) negatively impact the objectivity or integrity of UMB's core missions of research, scholarship, or teaching. UMB policy requires a written COI Management Plan that outlines the steps to ameliorate, manage, and mitigate the potential impact of an COI. We reviewed UMB procedures and controls related to four COI Management Plans approved between May 2019 and May 2024 and noted the following conditions:

- UMB's COI Management Plans were not sufficiently comprehensive to ensure conflicts were properly controlled and were subject to sufficient oversight and transparency. For example, the plans did not require independent authorization and oversight of individuals or entities with whom researchers had a conflict of interest or require independent supervisory review and approval of grant financial activity and amounts invoiced. In addition, there was no requirement for all team members assigned to the grant to be briefed on the plan and attest to their understanding of the terms and conditions.

We noted that another USM university established COI Management Plans that included these and other controls that enhanced the transparency, accountability and control over research grants with potential conflicts. For example, the other university's plan assigned risk levels of low, moderate, or high based upon the circumstances and provided examples of specific restrictions to provide in the plans based upon the level of risk. For example, high risk plans required more frequent monitoring (6-month intervals instead of annually) by the university's Management Oversight Committee.

- UMB did not monitor the research grants to ensure they were complying with the terms of the COI Management Plans. Rather, UMB relied on self-reporting from faculty to support compliance with requirements (such as stepping down from management roles within their companies working on the grant). In this regard, we noted that as of January 2025, a faculty member did

not step down from their role as Chief Scientific Officer of the company in which they hold a financial interest as required by their March 2020 Management Plan. This requirement was included in the plan due to the faculty member's relationship with one of the individuals or entities working on the grant.

- UMB's COI Oversight Committee did not review proposed scopes of work being performed by individuals or entities that had a relationship with faculty members to ensure no advantage was given to these entities (such as, assigning work that was not needed or at an unreasonable cost).

Recommendation 2

We recommend that UMB

- a. enhance its existing Management Plans, such as developing policies on management plan risk levels and required oversight considerations based on the level of risk;**
- b. monitor the research grants to ensure they are complying with the terms of the Management Plans; and**
- c. review proposed scope of works when determining if a conflict of interest should be allowed to ensure unfair advantages do not exist.**

Finding 3

UMB did not ensure that amounts invoiced by individuals and entities working on the research grants were proper and in accordance with the grant agreement.

Analysis

UMB did not ensure that amounts invoiced by individuals and entities working on the research grants were proper and in accordance with the grant agreement. The agreements generally provided that UMB would reimburse for the actual costs of personnel and supplies and allowed UMB to request additional information to support the amounts included in the invoice. Our test of 14 invoices totaling approximately \$1.1 million disclosed that 9 invoices totaling \$843,100 did not provide details to support labor and other charges. In addition, UMB did not obtain and review supporting documentation for 11 invoices totaling \$939,100. While these invoices were approved by supervisor personnel, UMB did not obtain documentation to support the charges which were primarily for labor costs, such as time records, raising concerns about the adequacy of the approval process and the propriety of the amounts invoiced.

For example, for one invoice totaling \$209,700 which included \$72,900 in direct labor charges, \$10,800 in materials and supplies, and \$3,900 in computer software and support, the invoice did not detail the breakdown of personnel included in the labor charges or details on the materials and supplies and computer charges. Furthermore, UMB did not request any supporting documentation for the amounts charged such as detailed time records or receipts for the materials and supplies to verify that the amounts charged were proper.

Recommendation 3

We recommend that UMB require individuals and entities to provide detailed invoices and obtain and review supporting documentation to support the propriety of amounts invoiced, including those noted above.

Finding 4

UMB did not refer certain delinquent grant receivable balances to the State's Central Collection Unit as required.

Analysis

UMB did not refer certain delinquent grant receivable balances to the State's Central Collection Unit (CCU) as required. UMB periodically bills entities providing grants for reimbursement of qualifying grant expenditures. CCU regulations, as amended for UMB, generally require three written demands for payment be made at 30-day intervals beginning 60 days after the invoice date, and that delinquent accounts, including grants and contracts awarded from federal, State, local, and private agencies and organizations, be sent to CCU 180 days after the invoice date. According to UMB's records, as of May 2024, grant receivables totaled \$47 million, of which \$3.6 million was more than 180 days past due, including \$2.1 million due from non-State entities.

Our test of 12 grant receivables due from non-State entities³ with balances totaling \$1.2 million as of May 2024 disclosed that five grant receivables totaling \$850,100 were outstanding for between 224 and 507 days and had not been forwarded to CCU. Furthermore, for three of these receivables totaling \$695,000, although UMB sent emails regarding outstanding amounts, no official written demands for payment were made. For four other receivables totaling \$336,955, UMB entered into payment plans or the entity paid the outstanding balance but, these actions occurred 23 to 159 days after the accounts were required to be forwarded to CCU.

³ We selected material receivables from non-State agencies that were outstanding for more than 180 days.

A similar condition regarding not referring delinquent grant receivables to CCU was commented upon in our preceding audit report. In response to that report, UMB stated it created a unit to monitor delinquent accounts outstanding for greater than 180 days to ensure appropriate reporting to CCU. However, as noted above, the stated corrective actions were not taken to monitor delinquent grant receivables and refer the accounts to CCU when required.

Recommendation 4

We recommend that UMB refer delinquent grant receivable balances to CCU in accordance with CCU regulations, as amended for UMB (repeat).

Procurements and Disbursements

Finding 5

UMB did not ensure its use of contracts procured by other entities was in the best interest of UMB and did not ensure the propriety of amounts invoiced.

Analysis

UMB did not ensure its use of contracts procured by other entities was in the best interest of UMB and did not ensure the propriety of amounts invoiced. State laws and regulations and USM policy allow UMB to procure goods and services using contracts procured by other entities such as Intergovernmental Cooperative Purchasing Agreements (ICPAs) and Maryland Education Enterprise Consortium (MEEC) contracts. USM procurement policies and procedures in effect during the audit period allow institutions to use contracts established by other organizations, institutions, or agencies provided that use of the contract is in the best interest of the institution, and the established contract was awarded after a proper procurement process. Our review of three contracts⁴ totaling \$28.6 million procured under ICPAs or MEECs disclosed the following conditions:

- UMB did not document that the use of the contracts was in the best interest of UMB as required by USM policy in effect at the time of these procurements. Although USM subsequently removed this requirement from its policy, we continue to believe that UMB should demonstrate that the use of a non-competitive method to obtain goods and services is in the best interest of UMB.

⁴ These contracts were selected for review based on materiality and specifically due to being procured by other entities, and were initiated between June 2023 and April 2024.

- UMB did not ensure that the original contracts procured by those entities had been awarded using an appropriate procurement process (such as competitive procurement). For example, UMB procured a contract for heating ventilation and air conditioning (HVAC) services totaling \$4.3 million under an ICPA without reviewing the procurement method used by the ICPA. This is significant because the ICPA was awarded based on only a single bid. In addition, approximately 70 percent of the UMB contract charges were related to work done by subcontractors. Given the substantial amount of work subcontracted by the vendor, we question UMB's use of the ICPA, since it only had one bidder, rather than seeking its own competitive procurement. According to UMB records, during fiscal year 2024, it awarded 21 separate contracts totaling \$32.4 million to the vendor (including the aforementioned ICPA).
- UMB did not ensure the propriety of amounts invoiced. Specifically, UMB did not verify that contract rates were consistent with the original ICPA contract for two of the contracts totaling \$8.9 million. In response to our request, UMB obtained the master contract rates for one of the two contracts totaling \$4.6 million and we noted the rates were consistent with the ICPA contract. UMB also did not obtain sufficient supporting documentation, such as time records, to support the propriety of payments made on one of the three contracts totaling \$19.7 million.

Recommendation 5

We recommend that UMB document its compliance with USM policies and guidance and verify that

- a. its use of contracts established by other organizations, institutions, or agencies is in the best interest of UMB and that the contracts were properly procured;**
- b. amounts invoiced by vendors are consistent with established contract rates; and**
- c. sufficient documentation is obtained to support the propriety of amounts invoiced.**

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the University System of Maryland (USM) – University of Maryland, Baltimore (UMB) for the period beginning September 1, 2021 and ending May 31, 2024. 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 UMB'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 procurements and disbursements, student accounts receivable, financial aid, cash receipts, payroll, and information technology systems. Our audit included certain support services (such as certain construction vendor payments) provided by UMB on a centralized basis for several other units of USM. We also determined the status of the findings included in our preceding audit report.

Our audit did not include certain support services provided to UMB by the USM Office. These support services (such as bond financing) are included within the scope of our audit of the USM Office. In addition, our audit did not include an evaluation of internal controls over compliance with federal laws and regulations for federal financial assistance programs and an assessment of UMB'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 September 1, 2021 to May 31, 2024, 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 UMB'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 UMB's financial system for the purpose of testing certain areas, such as student accounts receivable and financial aid. 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.

UMB'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 UMB, 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 UMB'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 instance of noncompliance with applicable laws, rules, or regulations.

In addition, this report includes a finding which is identified as a "Policy Issue". Such findings represent significant operation or financial issues for which formal criteria may not necessarily exist, and for which management has significant discretion in addressing, but the recommendation represents prudent and or practical actions, which we believe should be implemented by the agency to improve outcomes. Other less significant findings were communicated to UMB 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 information 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 information – 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 information in this report falls under that definition. Consequently, for the publicly available audit report all specifics as to the nature of this cybersecurity information has 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 the cybersecurity information have been communicated to UMB

and those parties responsible for acting on our recommendations in an unredacted audit report.

The response from the USM Office, on behalf of UMB 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 UMB regarding the results of our review of its response.

OFFICE OF ADMINISTRATION AND FINANCE

August 14, 2025

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, Baltimore
Period of Audit: September 1, 2021 through May 31, 2024

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, Baltimore. Our comments refer to the individual items in the report.

Sincerely,



Ellen Herbst
Senior Vice Chancellor for Administration and Finance

Enclosures

cc: Dr. Bruce E. Jarrell, President, UMB
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
Ms. Dawn M. Rhodes, Senior Vice President, Chief Business and Finance Officer, UMB
Ms. Michele L. Evans, Assistant Vice President, Change Management and Advisory Services, UMB
Ms. Jennifer L. Thompson, Director, Management and Advisory Services, UMB

University System of Maryland University of Maryland, Baltimore

Agency Response Form

Research Grants and Contracts

Finding 1 (Policy Issue)

UMB policy and procedures did not require a written justification when a non-competitive process was used to select individuals and entities to work on research grants and agreements.

We recommend that UMB enhance its existing policies and procedures by requiring documented written justification and independent review and approval when a non-competitive process is used.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	<p>UMB policy and procedures for Federal grant administration are based on Federal grant regulations.</p> <p>It should be noted that subrecipient selections are fundamentally different than procurement decisions, and should not be viewed through the same lens. Effective research depends on the researcher's expertise and discretion in forming scientific collaborations that best support the project's goals. To foster innovation, researchers must be free to partner with collaborators who bring the most value to the work.</p> <p>In the cases cited in this finding, the faculty members disclosed their financial interest, and a conflict of interest management plan was implemented, in accordance with UMB policy. UMB's process is functioning as designed, and as authorized by Federal Uniform Guidance and Maryland's Public Ethics Law.</p>		
Recommendation 1	Agree	Estimated Completion Date:	Jan 2026
Please provide details of corrective action or explain disagreement.	<p>It should be noted that subrecipients are typically included in the proposal and subject to rigorous review by experts in the relevant scientific field prior to the sponsor's decision to award any funds to UMB. Therefore, the submission of a proposal and subsequent award constitute a written justification and independent review and approval by the sponsor who is the investing stakeholder and committed to the success of the research.</p>		

**University System of Maryland
University of Maryland, Baltimore**

Agency Response Form

	While UMB's existing grant management policy and procedures meet Federal grant management regulations, UMB values continuous improvement and agrees to evaluate our existing grant proposal review process for possible enhancements. UMB will endeavor to make subrecipient selection justifications clearer, and to retain evidence of an independent reviewer other than the granting agency.
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**University System of Maryland
University of Maryland, Baltimore**

Agency Response Form

Finding 2

UMB did not have adequate procedures and controls to mitigate potential conflicts of interest on research grants.

We recommend that UMB

- a. enhance its existing Management Plans, such as developing policies on management plan risk levels and required oversight considerations based on the level of risk;**
- b. monitor the research grants to ensure they are complying with the terms of the Management Plans; and**
- c. review proposed scope of works when determining if a conflict of interest should be allowed to ensure unfair advantages do not exist.**

Agency Response	
Analysis	
Please provide additional comments as deemed necessary.	<p>The first bullet of the finding states “UMB’s COI Management Plans... did not require independent... oversight of individuals or entities with whom researchers had a conflict of interest”. This is not an accurate statement, as many management plans establish an independent oversight committee, as acknowledged later in the finding.</p> <p>Also, the last bullet of the finding states “UMB’s COI Oversight Committee did not review...” For clarification, UMB has many “Oversight Committees” that are comprised of appropriate parties (relevant leadership and subject matter experts) to oversee individual conflicts.</p> <p>UMB believes that in many cases the recommended controls are already in place, albeit in a different form than OLA expected to see. It should be noted that UMB’s COI procedures are designed in compliance with State Ethics Law and the related USM policy, and the concerns noted above are not indicative of any law or policy violation. However, in the spirit of continuous improvement, UMB agrees to enhance our COI process and relevant documentation.</p>

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Recommendation 2a	Agree	Estimated Completion Date:	Jan 2026
Please provide details of corrective action or explain disagreement.	<p>While UMB acknowledges that the risk analysis process is not documented, risk is considered carefully when the decision is made whether to approve a COI exemption. Risk level is taken into account when management plans are developed, and UMB already requires more frequent monitoring for certain plans deemed high risk.</p> <p>UMB agrees to formally document risk levels assigned to each COI going forward, and to consider what other enhancements could be made to management plans.</p>		
Recommendation 2b	Agree	Estimated Completion Date:	Jan 2026
Please provide details of corrective action or explain disagreement.	<p>COI management plans are monitored by oversight committees, who meet periodically to assess whether the terms of management plans are being met. In the case referenced in the finding, the oversight committee was aware that the faculty member had not stepped down from their role as CSO. The management plan's term required that the faculty member "eventually" step down. No deadline was imposed, and the flexibility given was intentional and well-reasoned. UMB subsequently revised the management plan to allow the faculty member to continue in this role.</p> <p>UMB agrees to implement test basis independent verification of compliance with management plan requirements such as this one, with a focus on COIs deemed high risk.</p>		
Recommendation 2c	Agree	Estimated Completion Date:	Jan 2026
Please provide details of corrective action or explain disagreement.	<p>Proposed work is already reviewed during the COI disclosure process and considered by oversight committees.</p> <p>UMB will consider where increased scrutiny of scope of work may be appropriate, and will improve documentation to maintain evidence of reviews completed.</p>		

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Finding 3

UMB did not ensure that amounts invoiced by individuals and entities working on the research grants were proper and in accordance with the grant agreement.

We recommend that UMB require individuals and entities to provide detailed invoices and obtain and review supporting documentation to support the propriety of amounts invoiced, including those noted above.

Agency Response	
Analysis	
Please provide additional comments as deemed necessary.	<p>The finding states “UMB did not obtain documentation to support the charges which were primarily for labor costs, such as time records, raising concerns about the adequacy of the approval process and the propriety of the amounts invoiced.” We respectfully note that the expectation to obtain subrecipient time records is not supported by Federal Uniform Guidance. Under 2 CFR 200.430, subrecipients are responsible for maintaining documentation to support compensation charges. However, the pass-through entity is not required to collect or review individual time records unless specific risk factors or award terms dictate otherwise.</p> <p>UMB fulfills its oversight responsibilities by reviewing charges for allowability and reasonableness, and ensuring that labor costs align with the proposed budget and technical progress. These procedures are consistent with Uniform Guidance 2 CFR 200.332 and reflect a risk-based, reasonable approach to subrecipient monitoring.</p> <p>Additionally, the Federal Demonstration Partnership (FDP), of which UMB is a member, specifically recommends <i>against</i> requiring backup for all subrecipient invoices. Specifically, an FAQ document published by the FDP notes “FDP member institutions should not, as a matter of routine, request backup for all invoices, especially when the subrecipient is another FDP member institution, unless: The entity is deemed high-risk as a result of an entity risk-assessment, or increased risk is identified during subsequent monitoring....” Violating FDP terms could jeopardize UMB’s membership in the FDP. Expulsion from the FDP could damage UMB’s reputation as a research institution and would increase the administrative burden across the institution.</p>

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	<p>Finally, it should be noted that in many cases review of individual time records would not result in a meaningful validation of labor hours billed given that many subrecipients use an effort reporting and certification process, in compliance with Federal Uniform Guidance. Implementing documentation requirements substantially above those recommended by Uniform Guidance and the FDP would also significantly increase the administrative burden on the subrecipient, and could have the unintended consequence of causing subrecipients to opt not to collaborate with University of Maryland institutions in the future, again damaging UMB's ability to operate as a research institution and attract and maintain prominent researchers.</p>		
Recommendation 3	Agree	Estimated Completion Date:	Jan 2026
Please provide details of corrective action or explain disagreement.	<p>Because of the concerns raised above, UMB strongly believes that implementing the recommended procedures for the thousands of subrecipient invoices received each year on the 800 subawards in UMB's portfolio is not feasible and would be damaging to UMB's status as a research institution.</p> <p>However, we acknowledge that there is always room for improvement. In response to a similar audit finding, our sister institution has agreed to engage a consulting firm to identify possible improvements in invoice monitoring that align with Uniform Guidance and best practices from peer research institutions. UMB will explore the possibility of partnering in this undertaking, and consider other avenues to obtain feedback from subject matter experts, to inform potential enhancements to our processes.</p>		

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Finding 4

UMB did not refer certain delinquent grant receivable balances to the State's Central Collection Unit as required.

We recommend that UMB refer delinquent grant receivable balances to CCU in accordance with CCU regulations, as amended for UMB (repeat).

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 4	Agree	Estimated Completion Date:	Sep 2024
Please provide details of corrective action or explain disagreement.	<p>Through the diligent efforts of UMB's Sponsored Projects Accounting and Compliance collections unit, UMB's AR balances greater than 180 days have been reduced by 95% since OLA's prior audit cycle. In contrast, between August 2023 and January 2025, UMB referred invoices with a total value of approximately \$610,000 to CCU, of which none has been collected on our behalf.</p> <p>We consistently find that our internal collection efforts are more productive than those that we refer to CCU, as supported by the above.</p> <p>In September 2024, the State of Maryland's Department of Budget and Management approved UMB's request to adjust the definition of delinquent accounts as applicable to grants receivable, authorizing a period of three years before referral to CCU. This new timeframe will allow sufficient time for internal resolution efforts to be fully exhausted.</p> <p>UMB will refer outstanding AR balances after all resolution efforts are exhausted by UMB, or within the three-year timeframe, whichever comes first.</p>		

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Procurements and Disbursements

Finding 5

UMB did not ensure its use of contracts procured by other entities was in the best interest of UMB and did not ensure the propriety of amounts invoiced.

We recommend that UMB document its compliance with USM policies and guidance and verify that

- a. its use of contracts established by other organizations, institutions, or agencies is in the best interest of UMB and that the contracts were properly procured;**
- b. amounts invoiced by vendors are consistent with established contract rates; and**
- c. sufficient documentation is obtained to support the propriety of amounts invoiced.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	The first bullet of the finding states “UMB did not document the USM requirement that the use of the contracts were in the best interest of UMB as required by its policy in effect at the time of these procurements”. The relevant policy language at the time of these procurements read “Institutions of the University System of Maryland may use contracts established by other Organizations... provided that the use of the contract is in the best interest of the Institution”. The policy did not require a documented narrative describing the justification for the procurement officer’s determination		
Recommendation 5a	Agree	Estimated Completion Date:	Mar 2025
Please provide details of corrective action or explain disagreement.	<p>The University System of Maryland issued a “Chancellor’s Directive on Best Practices for Use of Cooperative Purchasing” in March 2025, after the audit period covered by this report. UMB will continue to follow procurement guidelines established by the University System of Maryland, including the newly issued best practices for cooperative agreements.</p> <p>UMB implemented an approval form to standardize documentation of the decision to utilize cooperative agreements in March 2025.</p>		
Recommendation 5b	Agree	Estimated Completion Date:	Jan 2026

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Please provide details of corrective action or explain disagreement.	UMB will enhance its process for, and documentation of, contract pricing validation.		
Recommendation 5c	Agree	Estimated Completion Date:	Jan 2026
Please provide details of corrective action or explain disagreement.	<p>UMB believes that sufficient supporting documentation was obtained. The relevant vendor's invoices display detailed hours and rates billed for each individual employee, and those details are generated directly from the vendor's time reporting system (where employees record and supervisors approve hours billed to each client). UMB then performs extensive efforts to validate those hours: reviewing hours reported for reasonableness, comparing to previously set caps, and investigating any anomalies.</p> <p>However, UMB agrees to further enhance our contract monitoring to include documentation of additional test basis validation of hours reported.</p>		

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