

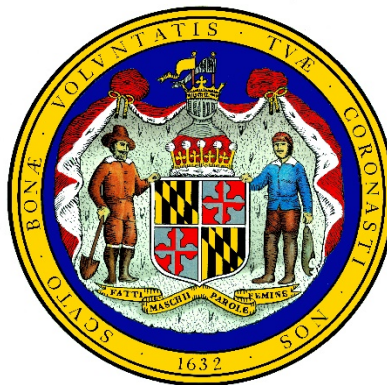
Audit Report

University System of Maryland Office

September 2024

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
MARYLAND GENERAL ASSEMBLY

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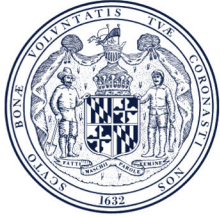
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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

September 11, 2024

Victoria L. Gruber
Executive Director

Brian S. Tanen, CPA, CFE
Legislative Auditor

Senator Clarence K. Lam, M.D., Senate Chair, Joint Audit and Evaluation Committee
Delegate Jared Solomon, House Chair, Joint Audit and Evaluation Committee
Members of Joint Audit and Evaluation Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the University System of Maryland Office, for the period beginning August 20, 2018 and ending September 30, 2022. The Office develops system-wide policies and procedures; monitors academic, financial, and administrative performance; provides system-wide financing through the issuance of bonds; and provides management information for planning and decision-making to the 12 institutions and 3 regional higher education centers of the University System of Maryland.

Our audit disclosed that the Office needs to enhance and revisit certain system-wide policies. Specifically, the Office has not established sufficient policies and procedures for its institutions to follow when procuring goods and services off contracts procured by other entities. Moreover, the Office has recently removed the requirement that the use of the contract must be in the best interest of the institution. While the use of such contracts can result in savings and efficiencies, it is incumbent on the Office to establish procedures to ensure its institutions use and document their due diligence before using these contracts demonstrating for example that the contracts were competitively procured, authorized for use by the institution and were in the best interest of the institution.

The Office also did not establish procedures for its institutions when awarding financial assistance to students who also receive tuition waivers. As a result, students, including System employees and their families, may receive financial aid that is not warranted since they do not have to pay tuition charges due to tuition remission and may abuse this benefit when applying for financial aid.

We also found that the Office did not maintain records of the Centers and Institutes at each USM institution to ensure they were operating in accordance with USM policies and had been approved as required. In addition, we noted that the Office's cash receipts were not adequately secured prior to deposit, and there

was a lack of assurance that all collections were deposited. Furthermore, our audit disclosed cybersecurity-related findings. However, in accordance with the State Government Article, Section 2-1224(i) of the Annotated Code of Maryland, we have redacted the 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 3.5-301(b), and using our professional judgment we have determined that the redacted findings fall under the referenced definition. The specifics of the cybersecurity findings were previously communicated to those parties responsible for acting on our recommendations.

Our audit also included a review to determine the status of the three findings contained in our preceding audit report. For the non-cybersecurity-related findings we determined that the Office satisfactorily addressed one of the two findings. The remaining finding is repeated in this report.

The Office’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 the Office generally agrees with the findings and recommendations, we identified certain instances in which statements in the response conflict with or disagree with the report findings and recommendations. 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 the Office’s response to explain our position. Furthermore, we will advise the Joint Audit and Evaluation Committee of any outstanding issues that we cannot resolve with the Office. In accordance with our policy, we have edited the Office’s response to remove vendor names or products. Finally, consistent with State law, we have redacted the elements of the Office’s response related to the cybersecurity audit findings.

We wish to acknowledge the cooperation extended to us during the audit by the Office and its willingness to address the audit issues and implement appropriate corrective actions.

Respectfully submitted,

Brian S. Tanen

Brian S. Tanen, CPA, CFE
Legislative Auditor

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Background Information

Agency Responsibilities

The University System of Maryland Office develops system-wide policies and procedures; monitors academic, financial, and administrative performance; provides system-wide financing through the issuance of bonds; and provides management information for planning and decision-making to the 12 University System of Maryland (USM) institutions. The Office oversees the development and management of the USM's three regional higher education centers: the Universities at Shady Grove, the USM at Hagerstown, and the USM at Southern Maryland. The Office also serves as the staff to the Board of Regents.

According to the State's records, the Office's expenditures totaled approximately \$239.9 million during fiscal year 2022 (See Figure 1 on the following page).

Figure 1
The Office's Positions, Expenditures, and Funding Sources

Full-Time Equivalent Positions as of June 30, 2022		
	Positions	Percent
Filled	93	86.1%
Vacant	15	13.9%
Total	108	
Fiscal Year 2022 Expenditures		
	Expenditures	Percent
Salaries, Wages, and Fringe Benefits	\$ 16,872,483	7.0%
Technical and Special Fees	75,926	0.0%
Operating Expenses	222,947,875	93.0%
Total	\$239,896,284	
Fiscal Year 2022 Funding Sources		
	Funding	Percent
<u>Unrestricted</u>		
General Fund	\$ 17,944,802	7.5%
Higher Education Investment Fund	2,299,189	1.0%
Other Revenues ¹	5,916,285	2.4%
	26,160,276	10.9%
<u>Restricted</u>		
Federal Grants and Contracts	391,618	0.1%
PAYGO State Funds	213,203,000	88.9%
Other Gifts, Grants and Contracts	141,390	0.1%
	213,736,008	89.1%
Total	\$239,896,284	

Source: State financial records and the Office's personnel records

¹ Includes revenues from other sources (\$5.1 million) and transfers (to)/from Fund Balance (\$0.8 million).

Financial Statement Audits

An independent accounting firm is engaged by the Office for the purpose of expressing an opinion on the System's financial statements each year. In the related audit reports for the fiscal years ended June 30, 2019, 2020, 2021, and 2022, the firm stated that the basic financial statements presented fairly, in all material respects, the financial position of the System, and the respective changes in financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Major Information Technology Implementation Project

In fiscal year 2022, a consortium of five USM institutions, also known as Maryland Connect, selected an enterprise resource planning (ERP) software to replace the majority of their existing information technology systems, for example finance and human resources. The Office entered into a contract with the software vendor providing the ERP platform at a cost of \$18.4 million for annual subscription and training fees on behalf of the five institutions in order to serve as the centralized oversight and funding source for the project. The Office also contracted with two separate vendors for project oversight and implementation services for four years at a total cost of \$28.2 million.

As of January 2023, the three vendors had been paid a total of \$11.9 million. As of August 2024, the Office advised that certain modules have been implemented for all five institutions. The final module is projected to be fully implemented in February 2025.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the three findings contained in our preceding audit report dated September 30, 2019. As disclosed in Figure 2 on the following page, for the non-cybersecurity-related findings, we determined that the Office satisfactorily addressed one of the two findings. The remaining finding is repeated in this report.

Figure 2
Status of Preceding Findings

Preceding Finding	Finding Description	Implementation Status
Finding 1	The Office did not ensure each University System of Maryland (USM) institution filed policies and procedures, as required, for the establishment and monitoring of its Centers and Institutes, and did not have a comprehensive listing of all such Centers and Institutes.	Repeated (Current Finding 3)
Finding 2	The Office had not established a policy governing the use of interagency agreements by USM institutions.	Not repeated
Finding 3	Malware protection for the Office's computers was not sufficient to provide adequate assurance that the computers were properly protected against malicious software.	Status Redacted ²

² Specific information on the current status of this cybersecurity-related finding has been redacted from the publicly available report in accordance with State Government Article, Section 2-1244(i) of the Annotated Code of Maryland.

Findings and Recommendations

Contracts Procured By Other Entities

Finding 1 (Policy Issue)

The University System of Maryland Office had not established sufficient procedures for University System of Maryland (USM) institutions to follow when using contracts procured by other entities.

Analysis

The Office does not require USM institutions to document the steps they take to comply with BOR policy requirements for the use of contracts procured by other entities. In addition, we noted that in June 2024 (subsequent to our audit) the BOR approved the removal from its policies the requirement to ensure that the use of such contracts was in the best interest of the applicable institution. We question the removal of that important requirement. As of August 8, 2024, this and certain other BOR policy adjustments were pending approval by the Board of Public Works.

BOR policies and procedures allow institutions to use contracts procured by other organizations, institutions, or agencies provided that the established contract was awarded after a proper procurement process, and the terms of the applicable contract do not prohibit use by the University System of Maryland. BOR policies also required use of the contract to be in the best interest of the institution.

However, we were advised by the Office that the BOR approved the removal of this requirement during its June 14, 2024 meeting. While it may be understood that institutions should act in their best interest, we believe that including that requirement in policy for this procurement method made it clear to institutions that the method was not to be used just for convenience or expediency, or in any way abused, and that they would be required to explain why this method best served the institution over other available procurement methods.

Our review of the BOR policies disclosed that they do not specifically require the institutions to document compliance with policy requirements for this procurement method. Consequently, there is no record of the institution's efforts to comply with the requirements, and no means to readily verify that any action was taken at all. Moreover, the lack of this requirement has been the basis for a disagreement with our recommendations at one institution.

Similar documentation is required of other State agencies for certain procurements (such as intergovernmental cooperative purchasing agreements) by State law and regulations. Consequently, implementing a process to document

compliance with Board policies is appropriate and reasonable to ensure compliance with the USM requirements for the use of such contracts.

Recommendation 1

We recommend that the Office

- a. require USM institutions, when using contracts established by other organizations, institutions, or agencies, to document for each such contracts the steps taken to comply with BOR policy requirements for using such contracts; and**
- b. develop and propose to BOR any necessary action to ensure that BOR policies include a requirement that use of such contracts is in the best interest of the institution.**

Student Financial Aid

Finding 2 (Policy issue)

The Office did not have a policy to require institutions to consider tuition remission when awarding student financial aid.

Analysis

The Office did not have a policy to require institutions to consider tuition remission when awarding student financial aid. For example, although the BOR *Policy on Institutional Student Financial Aid for Undergraduate Students* requires institutions to develop policy guidelines for the award of aid including criteria based on need or merit or a combination of both, it did not specifically require institutions to consider tuition remission when awarding such aid. As a result, students may receive financial aid that is not warranted since they do not have to pay tuition charges due to tuition remission.

Our November 1, 2023 audit report on Coppin State University (CSU) noted that certain individuals appeared to have taken advantage of the USM tuition remission policy and certain COVID relief aid provided to students. Specifically, we noted three CSU employees who enrolled in just one class for two semesters and, as enrolled students, received relief funds as well as remission of their tuition costs as permitted for USM employees.³ These employees received a combined total of \$8,390 in refunds for these two semesters. None of the three employees were enrolled in the prior or subsequent semester, and they were all classified as a non-degree seeking students.

³ BOR policy provides tuition remission to eligible USM employees, as well as their spouses and dependent children.

We noted one other USM institution with a financial aid policy that requires consideration of tuition remission and other tuition waivers when awarding aid. A system-wide requirement to consider tuition remission when awarding aid would help to ensure consistency between institutions.

Recommendation 2

We recommend that the Office develop a policy that requires USM institutions to consider tuition remission when awarding financial aid, and if revision to current BOR policies and procedures is necessary to implement this requirement, the Office should develop and propose to the BOR the necessary revision.

Centers and Institutes

Finding 3

The Office did not maintain a current and comprehensive listing of all Centers and Institutes established by USM institutions and did not ensure that the establishment of those Centers and Institutes had been adequately justified by the respective institutions as required.

Analysis

The Office did not maintain a current and comprehensive listing of Centers and Institutes at each USM institution and did not ensure that the establishment of those Centers and Institutes had been adequately justified by the respective institutions as required. Centers and Institutes are generally organized, non-departmental units that may or may not have external or State funding and a separately identified budget. The Centers and Institutes address a wide variety of disciplines, including engineering, health and biomedical research, environmental research, and entrepreneurship. Centers and Institutes are not Affiliated Foundations, for which there is a separate and distinct BOR policy.

BOR policy requires that Centers and Institutes be justified by the applicable USM institution on the basis of their contribution to the specified missions of research and service and by their relationship to instructional programs at the institution. In addition, the policy requires approval from the USM Chancellor or the BOR for certain types of Institutions and Centers.

Our review disclosed that, as of February 2023 the Office's listing of Centers and Institutes had not been updated since March 2020. For example, our inquiries of three USM institutions identified 14 Centers and Institutes that were not on the Office's current listing. Furthermore, the Office has not obtained documentation

from any institution supporting the specific justification for its Centers and Institutes. Without a current listing and the related justification, the Office cannot be sure that all Centers and Institutes have been accounted for, properly justified, and received any necessary approval prior to being established.

The lack of a comprehensive listing of Centers and Institutes was commented upon in our preceding audit report. In response to that report, the Office developed a listing of established Centers and Institutes, but as noted above, did not periodically update the listing to ensure it was complete and accurate. Our preceding report also noted that because of a lack of centralized records at the Office, we did not determine if all Centers and Institutes had been justified. We previously recommended that the Office make that determination, and the Office agreed to do so, but as noted above, no documentation of these determinations was maintained.

Recommendation 3

We recommend that the Office

- a. maintain a comprehensive listing of all current Centers and Institutes established by USM institutions (repeat), and**
- b. use that listing to determine and document that each USM institution has adequately documented that each Center and Institute is justified on the basis of its respective contribution and relationship to the instructional programs at the institution (repeat), and**
- c. ensure that any required approval from the Chancellor or Board of Regents has been obtained.**

Cash Receipts

Finding 4

The Office did not adequately safeguard cash receipts prior to deposit and did not have sufficient procedures to ensure all collections were subsequently deposited.

Analysis

The Office did not adequately safeguard cash receipts prior to deposit and did not have sufficient procedures to ensure all collections were subsequently deposited. Collections (primarily checks) received directly by the Office during our audit period totaled approximately \$6.3 million.

Our review disclosed that checks were not always properly safeguarded prior to deposit. Specifically, the employee responsible for initially recording checks was

only at the Office two days a week. Any mail, including checks, received on other than those two days remained unsecured at the employee's desk until the employee returned.

Furthermore, our review disclosed that the Office's deposit verification procedures did not include a verification of the initial record of checks received to validated deposit documentation from the bank to ensure that all funds received had been deposited. After processing, Office collections were taken to the Cashier's Office on USM's College Park campus for deposit. Our review disclosed that when conducting the deposit verification the Office only agreed the initial record to a second record of checks prepared prior to submission to the Cashier's Office and not to validated bank records. In addition, the verification was only being performed semi-annually for all deposits occurring during the prior six-month period. Under these conditions, errors or other discrepancies could occur without timely detection.

Recommendation 4

We recommend that the Office

- a. secure all collections, such as in a locked safe, prior to deposit; and**
- b. conduct timely deposit verifications, which include agreement of the initial record of checks received to validated deposit documentation from the bank.**

Information Systems Security and Control

We determined that the Information Systems Security and Control section, including Findings 5 and 6 related to "cybersecurity," as defined by the State Finance and Procurement Article, Section 3.5-301(b) of the Annotated Code of Maryland, and therefore are subject to redaction from the publicly available audit report in accordance with the State Government Article 2-1224(i). Consequently, the specifics of the following findings, including the analysis, related recommendations, along with the Office's responses, have been redacted from this report copy.

Finding 5

Redacted cybersecurity-related finding.

Finding 6

Redacted cybersecurity-related finding.

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the University System of Maryland Office for the period beginning August 20, 2018 and ending September 30, 2022. The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine the Office'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 endowment funds, revenue bonds, disbursements, cash receipts, payroll, information systems security and control, and certain University System of Maryland Board of Regents policies. Our audit included support services (that is, endowment accounting and bond financing) provided by the Office on a centralized basis for other units of the University System of Maryland. We also determined the status of the findings contained in our preceding audit report.

Our audit did not include certain support services provided to the Office by the University of Maryland, College Park (UMCP), such as processing vendor payment transmittals and payroll. These support services are included within the scope of our audits of UMCP. 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 the Office'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 August 20, 2018 to September 30, 2022, 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 the Office'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). These 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. 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.

The Office'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 the Office, 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 the Office'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.

In addition, this report includes findings, which are identified as a "Policy Issue." Such findings represent significant operational or financial-related 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. A less significant finding was communicated to the Office 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 3.5-301(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 the Office and those parties responsible for acting on our recommendations in an unredacted audit report.

The Office'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 the Office regarding the results of our review of its response.

OFFICE OF ADMINISTRATION AND FINANCE

September 5, 2024

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

Re: University System of Maryland
Period of Audit: August 20, 2018 through September 30, 2022

Dear Mr. Tanen,

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

Sincerely,



Ellen Herbst
Senior Vice Chancellor for Administration and Finance

Enclosures

cc: 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

University System of Maryland Office

Agency Response Form

Contracts Procured By Other Entities

Finding 1 (Policy Issue)

The University System of Maryland Office had not established sufficient procedures for University System of Maryland (USM) institutions to follow when using contracts procured by other entities.

We recommend that the Office

- a. require USM institutions, when using contracts established by other organizations, institutions, or agencies, to document for each such contracts the steps taken to comply with BOR policy requirements for using such contracts; and**
- b. develop and propose to BOR any necessary action to ensure that BOR policies include a requirement that use of such contracts is in the best interest of the institution.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 1a	Disagree	Estimated Completion Date:	
Please provide details of corrective action or explain disagreement.	Cooperative purchasing is an authorized procurement method under the USM Procurement Policies and Procedures. A procurement officer is granted authority to determine the best procurement method to utilize to meet the needs of their institution. USM Procurement Policies do authorize institutions to develop their own policies and procedures as long as they are consistent with the USM Procurement Policies: "Each institution of the USM shall be responsible for developing policies and procedures for use of the following methods that are consistent with those set forth below and with the needs of the individual institutions." (page 9 of 96 of USM Policies and Procedures) Individual institutions of USM could therefore require the documentation suggested by OLA, but it is not a requirement of the USM Procurement Policies.		

Auditor's Comment: The Office disagrees with our recommendation stating that institutions could develop their own policies requiring documentation. Given the significance of these procurements, we believe that documenting the compliance with

University System of Maryland Office

Agency Response Form

USM policy should be required for all institutions and should not be left to their discretion. Moreover, the lack of this requirement has been the basis for a disagreement with our recommendations by at least one institution.

Recommendation 1b	Disagree	Estimated Completion Date:	
Please provide details of corrective action or explain disagreement.	The USM Procurement Policies authorize the use of contracts established by other Organizations, Agencies or Institutions after a procurement process (including Sole Source or Negotiated Procurement) and provided that the terms of the applicable contract do not prohibit use by the University System of Maryland.		

Auditor's Comment: USM does not address the specific recommendation and merely reiterates its policy authorizing the institutions to use these contracts. As stated in our Analysis, while it may be understood that institutions should act in their best interest, we believe that including that requirement in policy for this procurement method made it clear to institutions that the method was not to be used just for convenience or expediency, or in any way abused. Given that the USM policy allows the institutions to use contracts procured by other entities even when they were not competitively procured, we believe that the institutions should have to justify and document why the use of those contracts are in the best interest of the institution.

University System of Maryland Office

Agency Response Form

Student Financial Aid

Finding 2 (Policy issue)

The Office did not have a policy to require institutions to consider tuition remission when awarding student financial aid.

We recommend that the Office develop a policy that requires USM institutions to consider tuition remission when awarding financial aid, and if revision to current BOR policies and procedures is necessary to implement this requirement, the Office should develop and propose to the BOR the necessary revision.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	While it is factually accurate that there is no requirement in Board Policy, USM institutions already consider tuition remission as part of Estimated Financial Assistance (EFA) when determining Federal, State, and institutional student financial assistance and act consistent with Federal and State educational aid reporting regulations. There could be a policy gap to address when certain reporting regulations for traditional State or Federal student aid may not apply.		
Recommendation 2	Agree	Estimated Completion Date:	June 2025
Please provide details of corrective action or explain disagreement.	USM will recommend to the BOR that current policy be revised to require the consideration of tuition remission when awarding financial aid.		

University System of Maryland Office

Agency Response Form

Centers and Institutes

Finding 3

The Office did not maintain a current and comprehensive listing of all Centers and Institutes established by USM institutions and did not ensure that the establishment of those Centers and Institutes had been adequately justified by the respective institutions as required.

We recommend that the Office

- a. maintain a comprehensive listing of all current Centers and Institutes established by USM institutions (repeat), and**
- b. use that listing to determine and document that each USM institution has adequately documented that each Center and Institute is justified on the basis of its respective contribution and relationship to the instructional programs at the institution (repeat), and**
- c. ensure that any required approval from the Chancellor or Board of Regents has been obtained.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	As of December 2022, this was true. We completed an update shortly thereafter.		
Recommendation 3a	Agree	Estimated Completion Date:	March 2023
Please provide details of corrective action or explain disagreement.	As of December 2022, our listing was outdated. We have a current listing as of March 2023. Although not mentioned in the recommendations, we also gathered the campus policies and procedures for the establishment and monitoring of Centers and Institutes policies.		
Recommendation 3b	Agree	Estimated Completion Date:	March 2023
Please provide details of corrective action or explain disagreement.	Based on the March 2023 Submissions, per attestations by the University Presidents (or their designees) the centers are justified based on its respective contribution and relationship to the institutional programs at the institution.		
Recommendation 3c	Agree	Estimated Completion Date:	June 2023

University System of Maryland Office

Agency Response Form

Please provide details of corrective action or explain disagreement.	<p>We have reviewed Recommendation C and the current listing of Centers and Institutes. We have conducted an online search and reviewed BOR and office files and have not found evidence that the listed Centers and Institutes are administratively separate from their institutions.</p> <p>Additionally, with the exception of UMB/UMCP Centers or Institutes created under and funded by Mpower, we have not found evidence that listed Centers or Institutes are multi-institutional. The University of Maryland Strategic Partnership Act of 2016 (Mpower) is a law “deepens the alliance and energizes UMB and UMCP to pursue even greater transformative change and impact, far surpassing what each institution could do independent of each other” and “promotes innovation and impact through collaboration between the University of Maryland, Baltimore and the University of Maryland, College Park”. The law formalized the structure and has led to countless partnerships including the creation of many Centers and Institutes. Since Mpower’s Centers and Institutes are created under this law (which began with and still has BOR/USM support), the USM staff has not required UMB or UMCP to request/obtain Chancellor approval of those specific, multi-institutional Centers and Institutes.</p> <p>When the USM conducts its regular update of the listing of Centers and Institutes in Fall 2024, we will ask Presidents to highlight any administratively separate or multi-institutional Centers or Institutes or to attest that they do not have such Centers or Institutes. We will, again, review and work to verify that information. If that inquiry reveals that Centers or Institutes are in need of Chancellor or BOR action, the USM Office of Academic and Student Affairs and Office of Research and Economic Development will partner to secure necessary approvals as quickly as possible.</p>
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University System of Maryland Office

Agency Response Form

Cash Receipts

Finding 4

The Office did not adequately safeguard cash receipts prior to deposit and did not have sufficient procedures to ensure all collections were subsequently deposited.

We recommend that the Office

- a. secure all collections, such as in a locked safe, prior to deposit; and
- b. conduct timely deposit verifications, which include agreement of the initial record of checks received to validated deposit documentation from the bank.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 4a	Agree	Estimated Completion Date:	February 2023
Please provide details of corrective action or explain disagreement.	The mail is properly secured in a locked cabinet until the receiver takes custody of the checks for deposit.		
Recommendation 4b	Agree	Estimated Completion Date:	March 2024
Please provide details of corrective action or explain disagreement.	USM relied on University of Maryland, College Park to perform the bank reconciliation. However, going forward USM will implement its own procedure to reconcile the check log to the bank statement on a monthly basis.		

University System of Maryland Office

Agency Response Form

Information Systems Security and Control

The Office of Legislative Audits (OLA) has determined that the Information Systems Security and Control section, including Findings 5 and 6 related to “cybersecurity,” as defined by the State Finance and Procurement Article, Section 3.5-301(b) of the Annotated Code of Maryland, and therefore is subject to redaction from the publicly available audit report in accordance with the State Government Article 2-1224(i). Although the specifics of the findings, including the analysis, related recommendation(s), along with the Office’s responses, have been redacted from this report copy, the Office’s responses indicated agreement with the findings and related recommendations.

Finding 5

Redacted cybersecurity-related finding.

Agency Response has been redacted by OLA.

Finding 6

Redacted cybersecurity-related finding.

Agency Response has been redacted by OLA.

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