



Department of Legislative Services
Office of Legislative Audits

Morgan State University Update on Capital Improvement Project Audit Issues

Presentation to
Maryland General Assembly
Joint Audit Committee

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Department of Legislative Services Office of Legislative Audits

Overview – Report and Legislative Action

- MSU Fiscal Compliance Audit Report issued February 8, 2008
 - Report included 17 findings:
 - Five findings - Telecommunications Hub Relocation Capital Improvement Project
 - Four findings - General Practices for Capital Improvement Projects
 - Eight findings – Fiscal Operations
 - Audit findings were reviewed in detail by Legislative Budget Committees during 2008 Session.
 - Joint Chairmen's Report – Capital Budget, April 2008 restricted a portion of project funds and required the MSU capital project management and internal controls to be revised.
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Overview - Capital Improvement Project Issues

- MSU did not disclose to the Board of Public works that \$3.1 million of its \$4.3 million telecommunications hub relocation project contract represented undefined allowance funds that lacked specific deliverables and were not subject to competitive bidding. MSU primarily used these funds to pay for work on other unrelated construction projects awarded to the same contractor.
- Procedures for reviewing telecommunications hub relocation project invoices were inadequate. As a result, questionable payments of up to \$2.4 million were made for charges that were not verified or supported. These payments require further investigation and resolution.



Overview - Capital Improvement Project Issues

- Rather than initiate a new procurement, MSU processed \$2.3 million in change orders to the hub relocation project to purchase upgraded equipment and services, which was outside the scope of the original project.
- Change orders totaling \$4.1 million, relating to three MSU construction projects, were often approved after the related work had been completed and paid for.
- Liquidated damages totaling \$3.1 million were not assessed for three construction projects that were significantly past their scheduled completion dates.
- MSU did not always meet its minority business enterprise goals, and did not document that all construction project inspections were completed.



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Overview – Current Status

- Audit findings on Telecommunications Hub Relocation Project were referred to the Criminal Division of the Office of the Attorney General.

Investigation is ongoing

- OLA has not yet received the MSU report on the revised capital project management and internal controls required by Joint Chairmen's Report.