



DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

March 25, 2015

Karl S. Aro
Executive Director

Thomas J. Barnickel III, CPA
Legislative Auditor

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

Delegate Maggie McIntosh, Chair
House Appropriations Committee
House Office Building, Room 121
6 Bladen Street
Annapolis, Maryland 21401

Dear Senator Kasemeyer and Delegate McIntosh:

The Office of Legislative Audits (OLA) has conducted a review of the actions taken by Coppin State University (CSU) to resolve the five repeat findings in our November 18, 2013 audit report. This review was conducted in accordance with a requirement specified in the April 2014 *Joint Chairmen's Report* (JCR), page 128. The JCR required that, prior to release of \$100,000 of its administrative appropriation for fiscal year 2015, CSU must take corrective action on all repeat audit findings. The JCR language further provided that OLA submit a report to the budget committees listing each repeat audit finding along with a determination that each repeat finding was corrected within sufficient time to allow 45 days for the budget committees to review and release the funds prior to the end of fiscal year 2015.

The November 18, 2013 CSU audit report contained five repeat audit findings (findings 1, 2, 3, 9, and 10) that were addressed by nine recommendations. In accordance with the aforementioned JCR requirement, the Chancellor of the University System of Maryland (USM), on behalf of CSU, provided a report to OLA, dated October 29, 2014, detailing the corrective actions that CSU had taken with respect to these repeat audit findings. We reviewed this report and related documentation, performed limited tests and analyses of the information, and held discussions with CSU personnel, as deemed necessary, to assess the implementation status of the related recommendations. Our review did not constitute an audit conducted in accordance with generally accepted government auditing standards.

Exhibit 1 contains USM's October 29, 2014 status report which indicated that corrective actions had been taken by CSU to substantially address the recommendations for all five findings. Our review determined that CSU had taken the necessary corrective action to implement the nine related recommendations.

Senator Edward J. Kasemeyer
Delegate Maggie McIntosh

-2-

March 25, 2015

A summary of OLA's assessment of the status of each of the repeat audit findings is included in the attached Exhibit 2. We wish to acknowledge the cooperation extended to us by CSU during this review.

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

Sincerely,



Thomas J. Barnickel III, CPA
Legislative Auditor

cc: Senator Guy J. Guzzone, Co-Chair, Joint Audit Committee,
Delegate Craig J. Zucker, Co-Chair, Joint Audit Committee
Joint Audit Committee Members and Staff
Senator Thomas V. Mike Miller, Jr., President of the Senate
Delegate Michael E. Busch, Speaker of the House of Delegates
Governor Lawrence J. Hogan, Jr.
Comptroller Peter V.R. Franchot
Treasurer Nancy K. Kopp
Attorney General Brian E. Frosh
David R. Brinkley, Secretary, Department of Budget and Management
William E. Kirwan, Ph.D., Chancellor, USM
James L. Shea, Esq., Chair, Board of Regents, USM
Mortimer H. Neufville, Ph.D., President, CSU
Julie Phelps, Interim Vice President of Administration and Finance, CSU
Robert L. Page, Comptroller, USM
Dave Mosca, Director of Internal Audit, USM
Anwer Hasan, Chairman, MHEC
Jennie C. Hunter-Cevera, Ph.D., Acting Secretary of Higher Education
Joan Peacock, Manager, Audit Compliance Unit, DBM
Karl S. Aro, Executive Director, Department of Legislative Services
Sara Baker, Policy Analyst, Department of Legislative Services

Exhibit 1 to March 25, 2015 Letter to Joint Chairmen



OFFICE OF THE CHANCELLOR

October 29, 2014

Mr. Thomas J. Barnickel III, CPA
Legislative Auditor
Office of Legislative Audits
State Office Building, Room 1202
301 West Preston Street
Baltimore, MD 21201

Re: University System of Maryland –
Coppin State University
Report Date: November 18, 2013

Dear Mr. Barnickel:

I have enclosed the University System of Maryland's responses to the repeat findings 1, 2, 3, 9, and 10 in the Legislative Audit Report of Coppin State University dated November 18, 2013, per the language contained on page 128 of the April 2014 Joint Chairmen's Report. Our comments refer to the individual items in the report.

Sincerely yours,

A handwritten signature in black ink that reads "William E. Kirwan".

William E. Kirwan
Chancellor

Enclosures

cc:

Dr. Mortimer Neufville, CSU
Mr. James L. Shea, Chair, Board of Regents
Mr. Anwer Hasan, Chairman, MHEC
Ms. Catherine M. Shultz, Esquire, Acting Secretary of Higher Education, MHEC
Mr. Robert Page, Associate Vice Chancellor for Financial Affairs, USM Office
Mr. David Mosca, Director of Internal Audit, USM Office
Senator James C. Rosapepe, Co-Chair, Joint Audit Committee
Delegate Guy J. Guzzone, Co-Chair, Joint Audit Committee
Joint Audit Committee Members
Ms. Peggy J. Watson, Deputy Chief of Staff, Executive Department
Ms. Joan Peacock, Manager, Audit Compliance Unit, DBM
Ms. Julie Phelps, Interim Vice President, Administration and Finance, CSU
Mr. Karl S. Aro, Executive Director, Department of Legislative Services
Ms. Sara J. Baker, Policy Analyst, Department of Legislative Services
Ms. Karen D. Morgan, Policy Analyst, Department of Legislative Services
Ms. Lisa J. Simpson, Policy Analyst, Department of Legislative Services

1807
University of Maryland,
Baltimore

1856
University of Maryland,
College Park

1865
Bowie State University

1866
Towson University

1886
University of Maryland
Eastern Shore

1888
Frostburg State University

1900
Coppin State University

1925
Salisbury University

1925
University of Baltimore

1925
University of Maryland
Center for Environmental
Science

1947
University of Maryland
University College

1966
University of Maryland,
Baltimore County

**CORRECTIVE ACTIONS STATUS REPORT FOR
LEGISLATIVE AUDIT REPORT
UNIVERSITY SYSTEM OF MARYLAND
COPPIN STATE UNIVERSITY
REPORT DATE: NOVEMBER 18, 2013**

Student Accounts Receivable

Finding 1

Coppin State University (CSU) did not always take appropriate and timely action to collect outstanding student account balances, and did not ensure that students with unpaid balances were prohibited from registering for classes.

Recommendation 1

We recommend that CSU

- a. establish procedures requiring independent reviews to ensure the propriety of student accounts written-off from the accounts receivable record, referrals to CCU, and system holds removed from delinquent accounts;
- b. transfer all delinquent accounts to CCU on a timely basis, as required (repeat);
- c. not permit students with outstanding account balances to register for subsequent semesters unless the student qualifies for an exemption as specified in the Board's *Policy* (repeat); and
- d. develop written procedures for installment payment plans for tuition and fees and ensure that these procedures are properly approved as required.

University response

- a. We have created an aging report to identify delinquent accounts to be sent to CCU. The aging is analyzed and reviewed by the Bursar. The Collection Specialist places special "hold indicators" on accounts to flag those to be forwarded to CCU. The Bursar is the staff person authorized to release the holds. The Controller performs the independent review and is working with staff to strengthen the reconciliation and documentation of the process.
- b. Although greatly improved, there were five instances of delinquent accounts – found by Internal Audit out of a sample of 30 -- that were not turned over to CCU in a timely fashion during the Fall 2013 and Spring 2014 semesters. The Controller is increasing her scrutiny of employee performance and training in this area with the goal of achieving full compliance before the end of December 2014.

**CORRECTIVE ACTIONS STATUS REPORT FOR
LEGISLATIVE AUDIT REPORT
UNIVERSITY SYSTEM OF MARYLAND
COPPIN STATE UNIVERSITY
REPORT DATE: NOVEMBER 18, 2013**

- c. Students with delinquent accounts are not permitted to register for class unless exempted in accordance with BOR Policy.
- d. Written procedures governing installment payment plans have been implemented and approved by the President.

Finding 2
CSU lacked controls to ensure the propriety of non-cash credit adjustments, student refunds, and tuition waivers.

Recommendation 2

We recommend that CSU

- a. eliminate capabilities that allow employees to perform the incompatible duties of recording student account adjustments and processing student refunds (repeat),
- b. ensure the report of non-cash credits used for verification purposes includes all such credit adjustments,
- c. ensure that employees with the capability to process non-cash credit adjustments do not have access to cash receipts, and
- d. ensure that a supervisor verifies that all tuition waivers are proper prior to recordation in the student accounts receivable records (repeat).

We advised CSU on accomplishing the necessary separation of duties using existing personnel.

University response

- a. After careful review of the Bursar/Student Accounts staff duties, reassignment of certain responsibilities has strengthened internal control over student account adjustments and student refunds. The Collection Specialist now performs the refund process and no longer has the capability to perform account adjustments. The Account Associate Supervisor performs all adjustments and does not have the capability to process refunds.
- b. OIT has created two reports to capture all non-cash credit adjustments. The first report captures non-cash postings by the Bursar and is reviewed by the Assistant Controller. The second report captures non-cash postings

**CORRECTIVE ACTIONS STATUS REPORT FOR
LEGISLATIVE AUDIT REPORT
UNIVERSITY SYSTEM OF MARYLAND
COPPIN STATE UNIVERSITY
REPORT DATE: NOVEMBER 18, 2013**

by Student Accounts staff -- and other functional users with access to the Student Financials posting process -- and is reviewed by the Bursar.

- d. Proper separation of duties has been implemented. Staff with access to process non-cash credit adjustments do not have access to cash receipts.
- e. Tuition remission adjustments are performed by Student Account Representatives and reviewed by the Bursar and the Controller. The Office of Human Resources performs the initial determination and final review to compare adjusted accounts to source documentation.

Finding 3

CSU lacked controls to ensure the propriety of third-party billings and receipts related to student accounts.

Recommendation 3

We recommend that

- a. the responsibility for billing third parties be assigned to an employee who does not have access to the related collections or maintain the related detail records (repeat),
- b. a report of all third-party payments recorded in the student accounts system be reviewed by an independent employee to ensure all payments were properly supported, and
- c. an independent control account for third-party accounts receivable be maintained by an employee who does not handle the related billings (repeat).

We advised CSU on accomplishing the necessary separation of duties using existing personnel.

University response

- a. The Associate Accounts Supervisor now performs the billing process for student third-party receivables and does not have access to the collections process or the related detail records.
- b. An account indicator (flag) is placed on student accounts by the Office Manager for pending third-party receivables. The indicator provides the ability to generate a report used to track payments and aging of third-party

**CORRECTIVE ACTIONS STATUS REPORT FOR
LEGISLATIVE AUDIT REPORT
UNIVERSITY SYSTEM OF MARYLAND
COPPIN STATE UNIVERSITY
REPORT DATE: NOVEMBER 18, 2013**

receivables. The report is reviewed monthly by the Bursar and the Controller as the independent reviewer that payments received are properly supported.

- c. As noted above, an account indicator (flag) is placed on student accounts and provides the ability to track payments and aging of third-party receivables. This report currently serves as the "independent control account." Accordingly, CSU is able to manage this process without giving credit to a student account until the third-party payment has been received.

Cash Receipts

Finding 9

CSU had not established controls to safeguard certain collections.

Recommendation 9

We recommend that CSU

- a. ensure that employees having access to cash receipts not have the ability to void transactions, and
- b. ensure that all recorded mail collections are verified to validated deposit records by an employee independent of the cash receipts functions (repeat).

We advised CSU on accomplishing the necessary separation of duties using existing personnel.

University response

- a. Separation of duties over this process has been implemented. The Bursar, Assistant Controller and Controller now have supervisory access over voids and do not have access to cash receipts.
- b. Independent review of mail log payments posted in the general ledger has been implemented but determined recently to be inconsistently

**CORRECTIVE ACTIONS STATUS REPORT FOR
LEGISLATIVE AUDIT REPORT
UNIVERSITY SYSTEM OF MARYLAND
COPPIN STATE UNIVERSITY
REPORT DATE: NOVEMBER 18, 2013**

documented. Procedures have been added to strengthen documentation of the review process.

Information Systems Security and Control

Finding 10

CSU did not ensure that user access to perform certain critical system functions was appropriate.

Recommendation 10

We recommend that CSU

- a. assign user access capabilities only to those employees who require such capabilities to perform their job duties and immediately remove the aforementioned incompatible and unnecessary access capabilities (repeat), and
- b. periodically review the aforementioned security reports of user capabilities and correct noted instances of improper access (repeat).

University response

- a. Incompatible and unnecessary system access has been removed.
- b. OIT has established a process to work with the functional user Data Owners to review staff access and adjust as required according to job responsibilities. Data Owners receive a report of all users with access to their functional area. They must review, make necessary adjustments, sign-off, and return the report to OIT. OIT makes the authorized functional area access adjustments. OIT is responsible for assuring that functional areas perform the review in a timely fashion. This process will occur three times per year.

Exhibit 2 to March 25, 2015 Letter to Joint Chairmen

Status of Repeat Findings in OLA's November 18, 2013 Audit Report on Coppin State University (CSU)

Prior Recommendations Pertaining to Repeat Findings	Status Based on OLA Review
<p>Student Accounts Receivable</p> <ol style="list-style-type: none"> 1. We recommend that CSU <ol style="list-style-type: none"> b. transfer all delinquent accounts to CCU on a timely basis, as required. c. not permit students with outstanding account balances to register for subsequent semesters unless the student qualifies for an exemption as specified in the Board's <i>Policy on Payment of Tuition and Fees</i>. 2. We recommend that CSU <ol style="list-style-type: none"> a. eliminate capabilities that allow employees to perform the incompatible duties of recording student account adjustments and processing student refunds. d. ensure that a supervisor verifies that all tuition waivers are proper prior to recordation in the student accounts receivable records. 3. We recommend that <ol style="list-style-type: none"> a. the responsibility for billing third parties be assigned to an employee who does not have access to the related collections or maintain the related detail records. c. an independent control account for third-party accounts receivable be maintained by an employee who does not handle the related billings. 	<p>Corrected</p> <p>Corrected</p> <p>Corrected</p> <p>Corrected</p> <p>Corrected</p> <p>Corrected</p>
<p>Cash Receipts</p> <ol style="list-style-type: none"> 9. We recommend that CSU <ol style="list-style-type: none"> b. ensure that all recorded mail collections are verified to validated deposit records by an employee independent of the cash receipts functions. 	<p>Corrected</p>
<p>Information Systems Security and Control</p> <ol style="list-style-type: none"> 10. We recommend that CSU <ol style="list-style-type: none"> a. assign user capabilities only to those employees who require such capabilities to perform their job duties and immediately remove the aforementioned incompatible and unnecessary access capabilities. b. periodically review the aforementioned security reports of user capabilities and correct noted instances of improper access. 	<p>Corrected</p> <p>Corrected</p>