



Department of Legislative Services  
Office of Legislative Audits

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University System of Maryland Office (USMO)  
and  
Frostburg State University (FSU)

Reports Dated September 11, 2024

Presentation to Joint Audit and Evaluation Committee

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November 13, 2024

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## Report Overview for USMO and FSU

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- USMO 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 to USM's 12 institutions and 3 regional higher education centers. The USMO audit report covers the period from August 20, 2018 to September 30, 2022 and contains 6 findings, including 1 non-cybersecurity-related repeat finding.
- FSU is a comprehensive public institution offering an array of undergraduate and graduate degrees. The FSU audit report covers the period from August 26, 2019 to July 15, 2023 and contains 7 findings, including 1 repeat finding.



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## Key USMO and FSU Findings

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### Contracts Procured by Other Entities

- USMO Finding 1 – USMO had not established sufficient procedures for USM institutions to follow when using contracts procured by other entities.
- FSU Finding 3 - FSU did not verify that its use of contracts procured by other entities was in the best interest of FSU as required by the BOR.

### Student Financial Aid

- USMO Finding 2 – USMO did not have a policy to require institutions to consider tuition remission when awarding student financial aid.

### Contracts and Disbursements

- FSU Findings 1 and 2 – FSU did not comply with certain procurement policies when it procured an IT system and lost \$680,000 on it and did not competitively procure student mental health services.



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## Contracts Procured by Other Entities (USMO Finding 1 - Policy Issue)

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USMO had not established sufficient procedures for its institutions to follow when using contracts procured by other entities.

- USMO does not require its institutions to document that they comply with BOR policy which require institutions to ensure contracts procured by other entities are in the best interest of the institutions.
- In June 2024 (subsequent to our audit) the BOR approved removing this requirement and we question the removal of that requirement.
- We believe including the requirement in BOR policy made it clear to institutions that the method was not to be used just for convenience or expediency. Furthermore, institutions would be required to explain why this method best served the institution over other available procurement methods.



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## Contracts Procured by Other Entities (FSU Finding 3 ) (Repeat)

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FSU did not verify that its use of contracts procured by other entities was in the best interest of FSU as required by BOR procurement policies and procedures which were in effect during the audit period. FSU also did not verify that rates charged were consistent with the related contracts.

- FSU did not ensure that the use of these contracts in lieu of competitively procuring them was in the best interest of FSU. In addition, FSU did not ensure the original contracts had been awarded using an appropriate procurement process.
- FSU did not verify that the specific contract rates it was charged were consistent with the original contract for three contracts totaling \$6.9 million.



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## Student Financial Aid (USMO Finding 2 – Policy Issue)

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

- BOR policies requires institutions to develop policy guidelines for the award of aid including criteria based on need and/or merit; however, it did not require institutions to consider tuition remission.
- Our November 1, 2023 audit report on Coppin State University noted certain individuals appeared to have taken advantage of the USM tuition remission policy and certain COVID relief aid.
- We noted one USM institution had a financial aid policy that considered tuition remission and other tuition waivers when awarding aid. A similar system-wide policy would help to ensure consistency between institutions.



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## Contracts and Disbursements (FSU Finding 1)

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FSU did not exercise adequate due diligence or comply with certain procurement policies when it procured a new financial aid system, which FSU discontinued after expending \$680,000.

- FSU did not prepare a written sole source justification for the system software and related licensing as required by BOR policy.
  
- FSU did not conduct a formal analysis to determine if the system would meet the needs of FSU.
  
- FSU selected the implementation vendor without preparing and submitting a detailed task order request for proposal to 16 other potential vendors available under the Maryland Enterprise Education Consortium (MEEC) contract used to select the vendor.



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## Contracts and Disbursements (FSU Finding 2)

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FSU continued to use the same vendor for student mental health services which was initially obtained without competition and without obtaining Board of Public Works (BPW) approval.

- FSU extended the contract multiple times, claiming that the vendor is the sole source for these services. Our review disclosed that the written justification for the initial emergency contract and subsequent sole source justifications were not signed until we requested them in August 2023.
- FSU did not obtain BPW approval when total contract costs exceeded \$1 million as required by USM policy.
- We reviewed five vendor invoices totaling approximately \$262,000 and found overpayments of approximately \$9,600.





## Other USMO and FSU Findings

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**USMO Finding 3** – USMO did not maintain a current and comprehensive listing of all Centers and Institutes established by its institutions and did not ensure that the establishment of those Centers and Institutes had been adequately justified, as required. **(Repeat Finding)**

**USMO Finding 4** - USMO did not adequately safeguard cash receipts prior to deposit and did not have sufficient procedures to ensure all collections were subsequently deposited.

**USMO Findings 5 & 6** – **Confidential Cybersecurity Findings**

**FSU Finding 4** – FSU had not established sufficient controls over student residency determinations and certain adjustments recorded in student accounts.

**FSU Finding 5** - FSU did not ensure that all institutional aid awards, which were based in part on the student's residency status, reflected the student's actual residency status at the time of award. We identified incorrect awards totaling approximately \$64,000.

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## Conclusion

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Our audits of USMO and FSU identified numerous weaknesses in contracts procured by other entities, student financial aid, and contracts and disbursements. We made detailed recommendations to USMO and FSU and we will assess the status of the recommendations during the course of our next audit.

We are happy to answer any questions.