



Department of Legislative Services
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Maryland Higher Education Commission (MHEC)

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Presentation to Joint Audit and Evaluation Committee

Gregory A. Hook, CPA
Adam J. Westover, CPA
R. Brendan Coffey, CPA, CISA
Tu N. Vuong

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Report Overview

- MHEC provides statewide planning, leadership, coordination, and advocacy for Maryland's postsecondary educational institutions. MHEC also administers several aid programs to these institutions and provides financial assistance to students.
- In fiscal year 2019, MHEC provided approximately \$392 million in financial assistance to public and non-public institutions of higher education (including community colleges) and more than 51,990 financial aid awards totaling approximately \$116.6 million to students pursuing postsecondary education.
- The audit report covers activity during the period from November 5, 2015 through March 31, 2020. The report contains eight findings, including five repeat findings from our preceding audit report.



Key Findings

- MHEC did not always take steps, in accordance with its established policies, to monitor students' fulfillment of their service obligations agreed to as a condition for receiving certain career-based financial aid awards.
 - MHEC lacked procedures to ensure that its record of repayments due from students who failed to fulfill service obligations were accurate and complete.
 - MHEC did not establish sufficient controls over user access to the automated system used to record and store personal, academic, and financial information of students applying for financial aid.
 - MHEC did not have effective procedures for ensuring that all payments made to community colleges for retirement and pension contributions as well payments for certain grant funds were proper.
 - MHEC did not adequately safeguard certain personally identifiable information and did not use a web application firewall to secure its financial aid system.
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Career-Based Financial Aid (Finding 1) **Repeat Finding**

MHEC did not monitor student service obligation compliance in a timely and comprehensive manner, and consequently did not ensure that either service obligations were being fulfilled or that repayment of financial aid was pursued when required.

- MHEC did not generate and review all available service obligation monitoring reports during calendar year 2019. The reports show, for example, aid recipients who have not submitted required employment information.
- We noted delays of 10 to 29 days in sending the initial service obligation request to 4 of 17 recipients reviewed and delays of 74 to 208 days in sending subsequent required annual notices to 5 of the 17.
- Follow-up notices for 12 of the 17 aid recipients who did not respond to the initial service obligation request were issued between 14 to 442 days late.



Career-Based Financial Aid (Finding 2)

MHEC did not have a process for the independent review and approval of adjustments made to accounts receivable due from aid recipients who had not met their service obligations, and MHEC did not ensure that all repayments due were posted to its accounts receivable system.

- MHEC processed 1,609 adjustments totaling approximately \$5.1 million in its accounts receivable system during our audit period. However, MHEC did not have a process to ensure that adjustments posted to the accounts receivable system, along with supporting documentation, were reviewed and approved by independent supervisory personnel.
- MHEC could not document that, during the audit period, it had reconciled the total amount due from students on its financial aid system to the corresponding amount in its standalone accounts receivable system, as was required by its policies. Consequently, MHEC lacked assurance that all amounts due had been recorded in its accounts receivable system.



Maryland College Aid Processing System (Finding 3) **Repeat Finding**

Sufficient controls were not established over user access to the Maryland College Aid Processing System (MDCAPS) that stores personal, academic, and financial information for individuals applying for financial aid.

- MHEC did not have a policy requiring requests from external users (such as a Maryland college) for the assignment or modification of system access to be approved by authorized personnel at the external entity.
- MHEC could not provide a user agreement form for 8 of 25 external and internal user accounts we reviewed to support the existing user access.
- MHEC did not use available automated output reports for its periodic review of user access granted to MHEC employees.
- MHEC did not require external entities to periodically review system access granted to their employees to ensure access was still appropriate. As of September 2020, there were 650 active external users that had not logged into MDCAPS for at least six months, calling into question the need for this access.



Maryland College Aid Processing System (Finding 4) **Repeat Finding**

MHEC did not adequately restrict user access to the Service Obligation Loan Repayment (SOLR) module of MDCAPS.

- Eight users were assigned capabilities to process adjustments in SOLR even though they did not need the access to perform their job duties.
- Seven additional users could process adjustments without independent supervisory review and approval. As a result, these employees could unilaterally forgive, defer, or record as fulfilled a recipient's service obligation.
- MHEC did not use available output reports of adjustments processed in SOLR to verify their propriety. During fiscal year 2019, MHEC made 627 adjustments in SOLR to designate a recipient's service obligation status as fulfilled, paid-in full, forgiven, or deferred. These 627 recipients had been awarded financial aid totaling \$5.2 million.



Aid to Community Colleges (Finding 5) **Repeat Finding**

MHEC had not implemented effective procedures for ensuring the propriety of payments made to community colleges for retirement and pension contributions, which totaled \$60.8 million in fiscal year 2019.

- OLA audit reports dating back to 2001 have identified issues regarding MHEC's process for ensuring the propriety of these costs. Beginning in fiscal year 2015, MHEC required the community colleges' independent auditors to provide certain assurances regarding costs incurred, and MHEC instituted a reconciliation of the auditor-reported information to MHEC's records.
- MHEC discontinued the reconciliation process in January 2018. We found the audited data for fiscal year 2019 disclosed differences that MHEC had not investigated and resolved. For example, that year's audited data indicated that the colleges received \$14,242,547 from MHEC for employees in an optional retirement plan, but MHEC's records indicated payments of \$16,357,940, a difference of \$2,115,393.



Other Findings (Findings 6, 7, and 8)

Aid to Community Colleges

- **Finding 6** – MHEC did not ensure that community colleges returned unspent English for Speakers of Other Languages grant funds as required. Our review of program data reported by 11 colleges disclosed 4 colleges that appear to have been paid \$403,968 in excess of program costs, but only 1 of the 4 remitted its excess balance of \$4,992.

Information Systems Security and Control

- **Finding 7** – MHEC maintained sensitive personally identifiable information (PII) in a manner that did not provide adequate safeguards, and lacked assurance that adequate security protections existed over PII on the vendor-hosted development servers. **Repeat Finding**
- **Finding 8** – MHEC did not use a web application firewall to provide security over MDCAPS, which is a critical public web-enabled system.



Conclusions

MHEC should implement the following:

- generate and review all reports of service obligations requiring follow-up action, and take follow-up action in a timely manner;
- independently review and approve adjustments posted to the accounts receivable system and SOLR;
- perform periodic reviews of employee system access and ensure access reviews of external users are performed by external entities;
- remove any unnecessary or improper user system access capabilities;
- review audited retirement and pension contribution data received from community colleges and resolve differences between the audited data and corresponding amounts in MHEC's records; and
- take appropriate action to address the remaining findings in our report, including enhancing system security over PII and implementing necessary firewalls.