

Audit Report

**University System of Maryland
Coppin State University**

March 2016



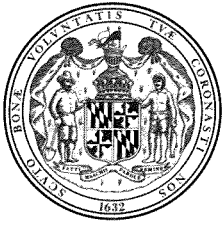
OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Warren G. Deschenaux
Executive Director

Thomas J. Barnickel III, CPA
Legislative Auditor

March 4, 2016

Senator Guy J. Guzzone, Chair, Joint Audit Committee
Delegate C. William Frick, Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the University System of Maryland (USM) – Coppin State University (CSU) for the period beginning March 27, 2012 and ending November 19, 2014. CSU offers a broad range of baccalaureate programs in both traditional arts and sciences, teacher education and nursing, as well as selected professionally-oriented graduate programs.

Our audit disclosed that CSU had not established sufficient controls over its student accounts, student financial aid, and payroll. In many cases, this was because employees were able to record critical transactions, including adjusting a student's residency status and financial aid award, without those transactions being subject to independent review and approval. In addition, we found that access to adjust the automated records maintained by CSU for these functions was often granted to employees who did not require it for their job duties, or had other conflicting responsibilities. Similarly, contractors used by CSU to support certain information technology systems and applications had unnecessary network access to CSU's administrative and student-related servers.

Our audit also disclosed that equipment was not properly controlled and accounted for because USM and CSU equipment policies and procedures were not being followed. We also noted that CSU did not establish sufficient control over mail collections. Finally, commission payments received from CSU's food services vendor were not adequately verified for accuracy.

The USM Office's response to this audit, on behalf of CSU, is included as an appendix to this report. We wish to acknowledge the cooperation extended to us during the course of this audit by CSU.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "TJ Barnickel III", with a stylized flourish at the end.

Thomas J. Barnickel III, CPA
Legislative Auditor

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Executive Summary

Legislative Audit Report on University System of Maryland (USM)

Coppin State University (CSU)

March 2016

- **Student residency determinations were not independently reviewed for propriety. Proper residency status for each student is critical to ensure that the proper amount of tuition (in-state or out-of-state) is charged (Finding 1).**

CSU should require an independent review and approval of residency status determinations.

- **Adjustments to financial aid awards were not independently verified, and certain employees had inappropriate access to the automated financial aid records since they could both initiate the posting of financial aid in student accounts and release or disburse the aid (Finding 2).**

CSU should ensure that adjustments to financial aid awards are independently reviewed and approved, and that incompatible user capabilities are eliminated.

- **CSU's computer network was not properly secured since numerous contractor accounts provided for unrestricted network level access to all of CSU's administrative and student-related servers. Contractors are used by CSU to support certain computer systems and applications (Finding 3).**

CSU should ensure that contractors have only the system access they need to perform their job duties.

- **Equipment, which totaled approximately \$17.8 million as of June 30, 2014, was not accounted for and controlled as required by USM and CSU policies. For example, CSU did not properly maintain critical equipment records, and physical inventories of equipment were not taken as required (Finding 4).**

CSU should comply with USM and CSU equipment policies and procedures.

- **CSU did not establish sufficient control over mail collections, which totaled approximately \$612,000 during the six-month period ending in June of 2014. (Finding 5).**

CSU should restrictively endorse checks immediately upon receipt and ensure that the initial record of collections is forwarded directly to the independent employee responsible for ensuring that all mail collections are processed.

- **Critical payroll and leave balance adjustments were not subject to a documented independent review and approval, and unnecessary system access capabilities were assigned (Finding 6).**

CSU should ensure that adjustments to payroll and leave balances are subject to a documented independent review and approval, and that system access capabilities are properly assigned.

- **CSU did not adequately verify commission payments from its food services contractor, which totaled approximately \$367,000 in fiscal year 2014. The contractor is required to pay CSU 15 percent of specified sales revenue. However, CSU did not verify sales reported by the contractor to available detailed sales reports (Finding 7).**

CSU should use available sales reports to verify the propriety of commission payments.

Background Information

Agency Responsibilities

Coppin State University (CSU) is a comprehensive public institution of the University System of Maryland (USM) and operates under the jurisdiction of the USM's Board of Regents. CSU provides a broad range of baccalaureate programs in both traditional arts and sciences, teacher education and nursing, as well as select professionally oriented graduate programs. Student enrollment for the spring 2015 semester totaled 3,066, consisting of 2,578 undergraduate students and 488 graduate students. Approximately 89 percent of CSU's student enrollment for the spring 2015 semester was classified as in-state and 11 percent was out-of-state. CSU's budget is funded by unrestricted revenues, such as tuition and fees and a State general fund appropriation, and restricted revenues, such as federal grants and contracts. According to the State's accounting records, CSU's revenues for fiscal year 2015 totaled approximately \$106.6 million, including a State general fund appropriation of approximately \$42.3 million.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the 12 findings contained in our preceding audit report dated November 18, 2013. We determined that CSU satisfactorily addressed 10 of the findings. The remaining 2 findings are repeated in this report.

Findings and Recommendations

Student Accounts and Financial Aid

Finding 1

Coppin State University (CSU) did not establish adequate controls over student residency status determinations.

Analysis

Student residency status determinations were not independently reviewed for propriety. Although output reports of residency status determinations recorded in CSU's automated records were generated for subsequent review, the two employees responsible for performing the reviews were also responsible for making residency determinations and submitting them for recording in the automated system. As a result, improper residency status determinations could be recorded without being readily detected.

The University System of Maryland's (USM) Board of Regents *Policy on Student Classification for Admission and Tuition Purposes* states that an individual seeking in-state status shall have the burden of providing clear and convincing evidence that he or she satisfies the requirements and standards set forth in the *Policy*. Accurate student residency determinations are critical because of the significant differences between in-state and out-of-state student tuition rates. For example, full-time undergraduate tuition and fee charges for the Spring 2015 semester totaled \$3,312 for Maryland residents and \$5,942 for nonresidents. CSU records all students as out-of-state upon admission and adjusts residency status to in-state for those students who are eligible. According to CSU's records, there were approximately 900 residency status changes from out-of-state to in-state processed during fiscal year 2014.

Recommendation 1

We recommend that CSU establish procedures requiring a documented independent review, at least on a test basis, of in-state residency determinations recorded in its automated system to ensure that the residency status was proper.

Finding 2

CSU had not established proper controls over financial aid posted to student accounts.

Analysis

Internal controls were not sufficient to ensure the propriety of financial aid posted to student accounts. According to CSU's records, during fiscal year 2014, financial aid awarded to students, including grants and scholarships, totaled approximately \$31.1 million.

- Adjustments to financial aid award amounts were not independently verified for propriety. CSU's system automatically calculates award amounts and generates recommended financial aid award packages for students based on various eligibility criteria. CSU employees may manually record adjustments to those award amounts based on individual student situations, such as when a student drops classes and may no longer be eligible for the original award amount. However, our review disclosed that these adjustments were not subject to supervisory review and approval to ensure their propriety.
- Three employees had system access capabilities that allowed them to manually initiate the recordation of financial aid in student accounts, as well as to release (disburse) the aid with no further system approval requirements.

Similar conditions were commented upon in our preceding audit report.

Recommendation 2

We recommend that CSU

- a. establish procedures to ensure that financial aid award adjustments are reviewed and approved by supervisory personnel based on a review of supporting documentation (repeat); and**
- b. eliminate incompatible user capabilities so that the same individual cannot initiate the recordation of financial aid and release (disburse) the aid (repeat).**

Information Systems Security and Control

Background

CSU's Information Technology Division provides information systems support to CSU through the operation and maintenance of campus-wide administrative applications, such as the student administration/human resources and the financials systems. The Division also operates an integrated administrative and academic computer network, which provides connections to multiple servers used for administrative applications and related databases. The campus network also includes separate file servers, Internet connectivity, and a pair of redundant perimeter firewalls. In addition, CSU connects to the Maryland Research and Education Network for Internet access and to send and receive data to and from other USM institutions.

Finding 3

The CSU internal network was not properly secured.

Analysis

The CSU internal network was not properly secured. Specifically, we noted the following conditions:

- Contractors had unnecessary network level access to the CSU network, placing various devices at risk. CSU utilized contractors to remotely support certain CSU systems and applications. Our analysis, performed during June 2015, determined that there were 14 contractor accounts defined to the CSU domain that had unrestricted network level access to all of CSU's administrative and student-related servers and to three additional network segments containing numerous network devices. These contractors worked remotely via a virtual private network connection to the CSU network. We were advised by CSU personnel that these contractors should only have network level access to specified devices (for example, servers specifically related to their projects). However, these contractors had unnecessary network level access to numerous other critical CSU devices (for example unrelated servers and workstations). The USM *IT Security Standards* Version 3.0 mandates that institutions implement authentication and authorization processes that uniquely identify all users and appropriately control access to systems.
- Authentication controls over administrative access to CSU's two perimeter firewalls were inadequate because password requirements for length, complexity, age, and history were not enforced. The firewalls performed the authentication of users attempting to administer the firewalls. The USM *IT*

Security Standards identify specific requirements for password length, complexity, age, and history, and state that institutions shall follow strong password characteristics and management practices, requiring users to adhere to institutional usage, construction, and change requirements.

Recommendation 3

We recommend that CSU

- a. restrict each contractor's network level access to only those devices that each contractor needs to access, and**
- b. ensure that its firewalls' authentication and password control settings comply with the minimum standards required by the *USM IT Security Standards*.**

Equipment

Finding 4

CSU did not establish adequate procedures to account for and control its equipment inventory.

Analysis

CSU did not establish adequate procedures to account for and control its equipment inventory in accordance with USM and CSU policies. According to CSU's records, equipment totaled approximately \$17.8 million as of June 30, 2014.

- An equipment control account was not maintained. A control account should be maintained as a continuous summary of transactions and to serve as a total dollar value control over amounts included in the detail records.
- CSU did not adequately account for equipment, including sporting and audio-visual items, in its Physical Education Complex by properly tagging and recording the equipment in its records. During our preceding audit, CSU advised us that these procedures had not been performed because this equipment had been purchased with State capital funds under the oversight of the Maryland Stadium Authority (MSA). At that time, CSU provided us with a listing of expenditures totaling approximately \$8.5 million that CSU claimed were equipment items in the Complex; however, that list lacked specificity, such as the identification of individual pieces of equipment. We were advised by CSU management that, as of February 2015, they had not identified in their detail records the equipment items in the Complex, and had not placed equipment tags on the items to identify them as State property. Regardless of

the original source of funding, the equipment is in the custody of CSU and should be properly accounted for.

- CSU did not conduct physical inventories of equipment as required. As of February 2015, CSU had not conducted a physical inventory of all sensitive and non-sensitive equipment during our current or preceding audit periods, and was not able to determine when the last inventory was taken.
- In addition to the aforementioned equipment in the Physical Education Complex, our test of 11 items from the detailed equipment listings and purchase records noted that 6 of these items had not been tagged with a unique tag number or otherwise identified as State property. Furthermore, our test of nine sensitive computer-related items (including tablets and laptop computers) totaling approximately \$9,000 purchased during our audit period disclosed that seven items totaling \$5,600 had not been recorded in CSU's detail records as of February 2015.

Similar conditions regarding a lack of adequate procedures and controls over equipment were commented upon in our preceding audit report. USM's Board of Regents *Policy for Capitalization and Inventory Control* sets guidelines for the minimal level of control for equipment and requires institutions to establish a set of formal written policies. Additionally, the *Policy* indicates that equipment inventory records should include any items of equipment for which the institution is the custodian. The *Policy* also requires that complete physical inventories be performed and reconciled to the related records at least biennially. CSU's *Policy on Capitalization and Inventory Control* requires that inventory be tagged and records maintained for sensitive equipment items with a cost of \$300 or more, for all computers, and for other equipment with a value over \$5,000.

Recommendation 4

We recommend that CSU

- a. establish a control account and periodically reconcile the account to the corresponding detail records (repeat);**
- b. ensure that all equipment purchases, as well as the aforementioned items purchased through MSA, are properly recorded in the detail records (repeat);**
- c. perform documented periodic physical inventories of equipment items, reconcile the results to the related detail records, and investigate any missing or unaccounted for items (repeat); and**
- d. ensure that equipment items are tagged with a unique property tag number identifying the items as State property.**

Cash Receipts

Finding 5

CSU did not establish sufficient control over mail collections.

Analysis

CSU did not establish sufficient control over mail collections that, according to CSU's records, totaled \$612,000 over a six-month period in fiscal year 2014. Specifically, checks received in the mail by the Bursar's Office were not immediately restrictively endorsed for deposit only. Rather, the checks were endorsed after they were received by the cashier's office and recorded on CSU's automated cash register system. Furthermore, the initial record of mail collections was not forwarded to the employee responsible for verifying all collections received had been recorded in the cash register system. Instead, the documents, along with the mail collections, were first given to other employees for processing. Consequently, the initial record of collections could be altered to conceal a misappropriation of the collections prior to recording on the cash register system.

Recommendation 5

We recommend that CSU

- a. restrictively endorse checks immediately upon receipt; and**
- b. ensure that the employees who prepare the initial record of collections forward the record, or a copy of the record, directly to the independent employee responsible for verifying that collections received in the mail were processed in the automated cash register system.**

Payroll

Finding 6

CSU did not ensure that adequate controls existed over the recordation of critical payroll transactions and that employee access to record transactions was appropriate.

Analysis

CSU did not ensure that adequate controls existed over the recordation of critical payroll transactions and that employee access to record transactions was appropriate.

- Four employees had system access to process payroll adjustments, such as to add new employees and change pay rates, without adequate supervisory review and approval. Although an output report of adjustments processed was generated for purposes of supervisory review, our test of 10 adjustments processed during October and November 2014 noted that there was no documentation that 7 of these adjustments had been reviewed. Furthermore, one of these four employees was responsible for approving certain adjustments, such as accumulated leave payouts for terminated employees.
- Eight employees could modify employee leave balances, including their own, and these leave adjustments were not subject to independent supervisory review. Furthermore, six of these employees did not require this access.

According to industry best practices, as described by the State of Maryland *Information Security Policy Access Control Requirements*, system access should be limited to the appropriate authorized individuals and be properly controlled. According to the State's records, during fiscal year 2014, CSU's payroll expenditures totaled approximately \$38.7 million.

Recommendation 6

We recommend that CSU

- ensure that adjustments to payroll and leave balances are subject to a documented independent review and approval; and**
- assign system access capabilities only to those employees who require such capabilities to perform their job duties, and remove the aforementioned unnecessary access capabilities.**

Contract Monitoring

Finding 7

CSU did not adequately verify commissions received from its food services vendor.

Analysis

CSU did not adequately verify commissions received from the vendor contracted to manage its food services operations. CSU's food services contract required the vendor to pay commissions to CSU totaling 15 percent of the vendor's annual board, retail, and external catering sales revenue or \$350,000, whichever was greater. However, CSU did not verify sales amounts reported by the vendor to detailed sales reports to help ensure the propriety of commission payments received. Our review of five commission payments during fiscal years 2014 and

2015 totaling approximately \$335,000 disclosed that CSU did not verify the reported sales totals. During fiscal year 2014, commissions received from the vendor by CSU totaled approximately \$367,000.

Recommendation 7

We recommend that CSU verify commission payments for propriety by comparing gross sales upon which the commission payments are based to detailed sales reports.

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the University System of Maryland (USM) – Coppin State University (CSU) for the period beginning March 27, 2012 and ending November 19, 2014. 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 CSU'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 purchases and disbursements, student accounts receivable, cash receipts, information systems security and control, payroll, student financial aid, corporate purchasing cards, and equipment. We also determined the status of the findings included in our preceding audit report.

Our audit did not include certain support services (such as endowment accounting and bond financing) provided to CSU by the USM Office. These support services are included within the scope of our audit of the USM Office. 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 CSU'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 CSU.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, observations of CSU's operations, and tests of transactions. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk. Unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, the results of the tests 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), as well as from the contractor administering the State's Corporate Purchasing Card Program (credit card activity). The 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 various sources were sufficiently reliable for the purposes the data were used during this audit. We also extracted data from CSU's financial system for the purpose of testing certain areas, such as student accounts receivable and financial aid. We performed various tests of the relevant data and determined that the data were sufficiently reliable for the purposes the data were used during the 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.

CSU'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.

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 related to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect CSU'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. Other less significant findings were communicated to CSU that did not warrant inclusion in this report.

The response from the USM Office, on behalf of CSU, to our findings and recommendations is included as an appendix to this report. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise the USM Office regarding the results of our review of its response.

APPENDIX



OFFICE OF THE CHANCELLOR

February 29, 2016

Mr. Thomas J. Barnickel III, CPA
Legislative Auditor
Office of Legislative Audits
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1807
University of Maryland,
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1856
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University of Maryland
Eastern Shore

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Frostburg State University

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Coppin State University

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Salisbury University

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University of Baltimore

1925
University of Maryland
Center for Environmental
Science

1947
University of Maryland
University College

1966
University of Maryland,
Baltimore County

Re: University System of Maryland –
Coppin State University
Period of Audit: March 27, 2012 through November 19, 2014

Dear Mr. Barnickel:

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 – Coppin State University. Our comments refer to the individual items in the report.

Sincerely yours,

Robert L. Caret
Chancellor

Enclosures

cc: Dr. Maria Thompson, Ph.D., President, CSU
Mr. Stephen Danik, Vice President for Administration and Finance, CSU
Mr. James L. Shea, Chair, University System of Maryland Board of Regents
Mr. Robert L. Page, Associate Vice Chancellor for Financial Affairs, USM
Office
Mr. David Mosca, Director of Internal Audit, USM Office

**RESPONSE TO LEGISLATIVE AUDIT REPORT
UNIVERSITY SYSTEM OF MARYLAND
COPPIN STATE UNIVERSITY
MARCH 27, 2012 TO NOVEMBER 19, 2014**

Student Accounts and Financial Aid

Finding 1

Coppin State University (CSU) did not establish adequate controls over student residency status determinations.

Recommendation 1

We recommend that CSU establish procedures requiring a documented independent review, at least on a test basis, of in-state residency determinations recorded in its automated system to ensure that the residency status was proper.

University response

The University agrees with these recommendations.

CSU is compliant with implementing and conducting independent review of a 10% sample size (new student undergraduates). The following procedures have been implemented to address the issue of independent review of residency determinations:

The Vice President for Enrollment Management is responsible for evaluating new student residency determinations as indicated by reporting from the Office of Information Technology (OIT) identifying cyclical entry of residency coding for students. Currently, the position of Vice President for Enrollment Management is vacant and the university is undergoing a hiring search. In the interim, until the position of Vice President for Enrollment Management is filled, the Residency Coordinator will be performing this function.

The Vice President for Enrollment Management (the Residency Coordinator in the interim), receives the OIT report and use indicators (source office/personnel, effective dates in the system, term of entry for student) to qualify the residency determination.

The Vice President for Enrollment Management, Residency Coordinator in the interim, researches and documents for department attributed students' the justifications for residency coding changes (e.g. submission of residency information form & supporting evidence, Residency Appeals Petition, etc.) making notation within the Residency (Audit) Changes Report to verify the determination.

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Finding 2

CSU had not established proper controls over financial aid posted to student accounts.

Recommendation 2

We recommend that CSU

- a. establish procedures to ensure that financial aid award adjustments are reviewed and approved by supervisory personnel based on a review of supporting documentation (repeat); and**
- b. eliminate incompatible user capabilities so that the same individual cannot initiate the recordation of financial aid and release (disburse) the aid (repeat).**

University response

The University agrees with these recommendations and has implemented the following corrective actions:

- a. With respect to Pell Awards, an Information System program that is already available was utilized beginning in the Fall (2015) to adjust individual Pell Awards to the “enrollment status” – i.e., credit load – of each student. An exception report has been developed to identify all non-Pell award adjustments. This report is reviewed and approved on a monthly basis. Hard copies of the report will be signed off as documentation of the review and approval process.
- b. Electronic packaging is a batch process without manual intervention. Accordingly, there is no meaningful separation between the initiation and release of the resulting aid packages. An exception report has been developed to identify all Cost of Attendance reviewed and approved adjustments. This process is completed on monthly basis by the Director of Financial Aid. Currently, the Associate Director of Financial Aid is serving as the Interim Director of Financial Aid until a new permanent Director is identified.

Information Systems Security and Control

Finding 3

The CSU internal network was not properly secured.

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UNIVERSITY SYSTEM OF MARYLAND
COPPIN STATE UNIVERSITY
MARCH 27, 2012 TO NOVEMBER 19, 2014**

Recommendation 3

We recommend that CSU

- a. restrict each contractor's network level access to only those devices that each contractor needs to access, and**
- b. ensure that its firewalls' authentication and password control settings comply with the minimum standards required by the USM *IT Security Standards*.**

University response

The University agrees with these recommendations and has implemented the following corrective actions:

- a. Vendor access was already restricted at two levels: the server level and the application level. Per the recommendation, CSU will add the network level restrictions as well.
- b. CSU currently uses the password standards on individual accounts as required for monitoring account activity. The password currently used on firewalls by the network staff uses the CSU password complexity scheme. Also, the firewall can only be accessed from certain servers on the network which has the CSU password complexity. Per the recommendation, CSU has enabled the password control settings on the firewall.

Equipment

Finding 4

CSU did not establish adequate procedures to account for and control its equipment inventory.

Recommendation 4

We recommend that CSU

- a. establish a control account and periodically reconcile the account to the corresponding detail records (repeat);**
- b. ensure that all equipment purchases, as well as the aforementioned items purchased through MSA, are properly recorded in the detail records (repeat);**
- c. perform documented periodic physical inventories of equipment items, reconcile the results to the related detail records, and investigate any missing or unaccounted for items (repeat); and**

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UNIVERSITY SYSTEM OF MARYLAND
COPPIN STATE UNIVERSITY
MARCH 27, 2012 TO NOVEMBER 19, 2014**

- d. ensure that equipment items are tagged with a unique property tag number identifying the items as State property.**

University response

The University agrees with these recommendations and has implemented the following corrective actions:

- a. In March 2015 the University brought online an Asset Management System (AMS). All capital and sensitive equipment assets are currently being recorded in the AMS by the Controller's Office Fixed Asset Accountant. Control accounts have been established in the general ledger. Asset transactions recorded in AMS are imported into the general ledger monthly. The general ledger control accounts and AMS totals are reconciled as part of the month-end close process.
- b. At March 31, 2015 the Controller's office began loading into the AMS equipment located and tagged from the physical inventory process. Additionally, newly purchased capital equipment items are entered into AMS central detailed records on a monthly basis. The remaining work to be completed includes the breakout of MSA purchased equipment cost initially included in building cost for the Physical Education Complex (PEC) and Health and Human Services Building (HHSB) and the process to locate and tag the equipment. Recent changes in staffing have resulted in delays in efforts to complete this process. Estimated completion time which includes training new staff on Asset Management System is August 2016.
- c. Procedures established in the implementation of the AMS include an annual inventory of recorded and tagged equipment. The first annual inventory is scheduled to begin in June 2016.
- d. The University implemented an equipment inventory process (February 2015) which includes University property tags with a unique number system and color coded for capital (blue) and sensitive (red) equipment.

**RESPONSE TO LEGISLATIVE AUDIT REPORT
UNIVERSITY SYSTEM OF MARYLAND
COPPIN STATE UNIVERSITY
MARCH 27, 2012 TO NOVEMBER 19, 2014**

Cash Receipts

Finding 5

CSU did not establish sufficient control over mail collections.

Recommendation 5

We recommend that CSU

- a. restrictively endorse checks immediately upon receipt; and**
- b. ensure that the employees who prepare the initial record of collections forward the record, or a copy of the record, directly to the independent employee responsible for verifying that collections received in the mail were processed in the automated cash register system.**

University response

- a. Procedures implemented immediately upon discussion with OLA (February 2015), require the staff person responsible for the money mail log to use a restrictive endorsement stamp for checks received in the mail at time of receipt and recording on the money mail log.
- b. Procedures implemented immediately upon discussion with OLA (February 2015), require the staff person responsible for the money mail log to provide a copy of the original log directly to the person performing verification procedures.

Payroll

Finding 6

CSU did not ensure that adequate controls existed over the recordation of critical payroll transactions and that employee access to record transactions was appropriate.

Recommendation 6

We recommend that CSU

- a. ensure that adjustments to payroll and leave balances are subject to a documented independent review and approval; and**

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- b. assign system access capabilities only to those employees who require such capabilities to perform their job duties, and remove the aforementioned unnecessary access capabilities.**

University response

- a. The University agrees to improve documentation of “independent review” (which may not be equivalent to “supervisory approval”) of adjustments to payroll. The root cause of these shortcomings was due to inadequate staffing levels. These issues were addressed by modifying the business processes within the payroll function. In addition, access for the Training Specialist has been adjusted to “view only,” and access for Assistant Vice President for Human Resources was adjusted to “approve only”.
- b. The University agrees with this recommendation and has taken, or will take, the following actions: On February 27, 2015 the HR system was changed to prevent anyone from being able to modify and approve his/her own leave record. Of the seven employees cited as not requiring the capability to modify leave records, the Junior Human Resources Information Systems Analyst does need to retain this access. This position is the back-up to Human Resources Information System Manager. However, a process for independent review of leave adjustments was implemented on August 1, 2015. Redesign of the security roles of the other six employees is underway and will be completed by March 31, 2016.

Contract Monitoring

Finding 7

CSU did not adequately verify commissions received from its food services vendor.

Recommendation 7

We recommend that CSU verify commission payments for propriety by comparing gross sales upon which the commission payments are based to detailed sales reports.

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University response

In January 2015, the Director of Auxiliary Services was terminated and the Department was reorganized. Contract Management was moved to the Office of Procurement Services, and functional management of Dining and Housing was moved to Student Affairs. In response to the OLA examination of these matters, the Contract Manager implemented a procedure of verifying Commission payments by comparing detailed sales records to gross sales amounts used to calculate the Commissions.

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