



DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

April 17, 2025

Brian S. Tanen, CPA, CFE
Legislative Auditor

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

Delegate Benjamin S. Barnes, Chair
House Appropriations Committee
Lowe House Office Building, Room 121
6 Bladen Street
Annapolis, Maryland 21401

Dear Senator Guzzone and Delegate Barnes:

The Office of Legislative Audits (OLA) has reviewed the actions taken by the Maryland Higher Education Commission (MHEC) to resolve the 5 repeat audit findings (that were addressed by 11 recommendations) in our June 24, 2021 audit report. This review was conducted in accordance with a requirement specified in the April 2024 *Joint Chairmen's Report* (JCR), page 201. The JCR required that, prior to the release of \$250,000 of its administrative appropriation for fiscal year 2025, MHEC must take corrective action on all repeat audit findings on or before November 1, 2024.

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 finding was corrected. The OLA report is required to be submitted to allow 45 days for the budget committees to review and release the funds prior to the end of the fiscal year. Certain detailed information and exhibits have been deemed cybersecurity related and therefore have been redacted in accordance with the State Government Article Section 2-1224(i), of the Annotated Code of Maryland.

In accordance with the April 2024 JCR requirement, MHEC provided a status report to OLA, dated November 1, 2024, detailing certain corrective actions that had been completed and actions that were ongoing with respect to all five repeat audit findings (**Exhibit 1**). The MHEC status report indicated that corrective action was in progress for at least some of the recommendations for the non-cybersecurity-related findings.

In accordance with State law, the status of the cybersecurity-related findings has been redacted.

After discussing our review results, MHEC generally agreed with the accuracy of the information presented. We wish to acknowledge the cooperation extended to us during the review by MHEC. We trust our response satisfactorily addresses the JCR requirement. Please contact me if you need additional information.

Sincerely,

Brian S. Tanen

Brian S. Tanen, CPA, CFE
Legislative Auditor

cc: Senator Shelly. L Hettleman, Senate Chair, Joint Audit and Evaluation Committee
Delegate Jared Solomon, House Chair, Joint Audit and Evaluation Committee
Joint Audit and Evaluation Committee Members and Staff
Senator William C. Ferguson IV, President of the Senate
Delegate Adrienne A. Jones, Speaker of the House of Delegates
Governor Westley W. Moore
Comptroller Brooke E. Lierman
Treasurer Dereck E. Davis
Attorney General Anthony G. Brown
Secretary Helene T. Grady, Department of Budget and Management
Catherine J. Motz, Esq., Chair, Maryland Higher Education Commission
Secretary Sanjay K. Rai, Ph.D., Maryland Higher Education Commission
Geoffrey F. Newman, Assistant Secretary, Department of Finance and Administration,
Maryland Higher Education Commission
Samuel Pandian, Director, Office of Budget and Finance, Maryland Higher Education
Commission
Joan M. Peacock, Manager, Audit Compliance Unit, Department of Budget and
Management
Victoria L. Gruber, Executive Director, Department of Legislative Services
Sara J. Baker, Policy Analyst, Department of Legislative Services
Kelly K. Norton, Policy Analyst, Department of Legislative Services

Exhibit 1 to April 17, 2025 Letter to Joint Chairmen



Maryland Higher Education Commission Engage / Inform / Support

Governor
Wes Moore

Lt. Governor
Aruna Miller

Secretary
Sanjay Rai, Ph.D.

Commission Chair
Cassie Motz

Commission Vice Chair
Chike Aguh

Commissioners
Kathleen Bands, Ph.D.
Mickey L. Burnim, Ph.D.
Charlene Mickens Dukes, Ed.D.
Barbara Kerr Howe
Ray Serrano, Ph.D.
Rebecca Taber Staehelin
Sheila D. Thompson, Ph.D.
Craig A. Williams, Ph. D.
Janet E. Wormack, Ed.D.
Praise Alayode, Student Commissioner

Principal Counsel
Kimberly Smith Ward

November 1, 2024

Mr. Brian S. Tanen, CPA, CFE
Legislative Auditor
Office of Legislative Audits
The Warehouse at Camden Yards
351 West Camden Street, Suite 400
Baltimore, MD 21201

Re: *Report on the Fiscal 2025 State Operating Budget (SB 360) And the State Capital Budget (SB 361) And Related Recommendations* (April 2024 Joint Chairmen's Report (JCR))

Status of corrective actions related to most recent fiscal compliance audit P. 201

Dear Mr. Tanen:

Please find enclosed MHEC's Agency Status Report for the repeat audit findings as requested on page 201 of the *Report on the Fiscal 2025 State Operating Budget (SB 360) And the State Capital Budget (SB 361) And Related Recommendations* (April 2024 Joint Chairmen's Report (JCR)). MHEC staff have diligently worked to implement the audit recommendations. Today, I am happy to report that MHEC has fully implemented corrective actions to address all of the repeat audit findings.

If you have any questions or concerns, please contact Mr. Geoffrey Newman, Assistant Secretary for Finance and Administration, at geoff.newman@maryland.gov or 410-767-3085.

Sincerely,

A handwritten signature in black ink, appearing to read "S K Rai".

Dr. Sanjay Rai
Secretary

Enclosure

Exhibit 1 to April 17, 2025 Letter to Joint Chairmen

Career-Based Financial Aid

Finding 1

MHEC did not monitor service obligation compliance in a timely and comprehensive manner, and consequently did not ensure that repayments were pursued when required.

Recommendation 1a

We recommend that MHEC generate and review all reports of recipients and employers requiring initial or follow-up action on a timely basis (repeat).

Status of Recommendation 1a			
Status as of 11/1/2024	Select Status - Completed	Completion Date:	2/1/2024
Please provide details of corrective action taken.	<p>Action completed - OFSA generates a report Monthly Career Based Service Obligation Report to view recipients to ensure service questionnaires and employer verifications are generated and released based on the required timeframe.</p> <p>OFSA continues to release service questionnaires and employer verification notices every 21 days; and repayment notices every 30 days in accordance with its internal procedures.</p> <p>OFSA has created an online form in lieu of the paper Service Questionnaire form and updated the Employer Verification Form.</p>		

Recommendation 1b

We recommend that MHEC ensure that all required requests are sent and follow-up action is taken in a timely manner (repeat).

Status of Recommendation 1b			
Status as of 11/1/2024	Select Status – In progress	Completion Date:	12/1/2024
Please provide details of corrective action taken.	<p>Action completed – OFSA has completed reviewing the remaining 300 records in July 2023 for correct statuses in SOLR.</p> <p>The Monthly Career Based Service Obligation Report is utilized to review processes and verify notifications were released timely to all respective individuals.</p>		

Exhibit 1 to April 17, 2025 Letter to Joint Chairmen

	<p>OFSA continues to perform a quality assurance review process monthly to confirm that each respective notification has been released to all identified recipients.</p> <p>OFSA Compliance Officers review all respective individuals listed on the monthly status change report based on status and corresponding dates to ensure the status change applied was accurate and recipient has received correct correspondence.</p>
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Exhibit 1 to April 17, 2025 Letter to Joint Chairmen

Maryland College Aid Processing System (MDCAPS)

The Maryland College Aid Processing System section, including Findings 3 and 4, has been deemed to contain cybersecurity-related information and audit findings and was redacted from the publicly available report and correspondence.

Finding 3 Redacted cybersecurity-related finding.
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Status of Recommendation 3a			
Status as of 11/1/2024	Select Status	Completion Date:	
Please provide details of corrective action taken.	Agency corrective actions have been redacted by OLA.		

Status of Recommendation 3b			
Status as of 11/1/2024	Select Status	Completion Date:	
Please provide details of corrective action taken.	Agency corrective actions have been redacted by OLA.		

Status of Recommendation 3c			
Status as of 11/1/2024	Select Status	Completion Date:	
Please provide details of corrective action taken.	Agency corrective actions have been redacted by OLA.		

Status of Recommendation 3d			
Status as of 11/1/2024	Select Status	Completion Date:	
Please provide details of corrective action taken.	Agency corrective actions have been redacted by OLA.		

Exhibit 1 to April 17, 2025 Letter to Joint Chairmen

Finding 4 Redacted cybersecurity-related finding.
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Status of Recommendation 4a			
Status as of 11/1/2024	Select Status	Completion Date:	
Please provide details of corrective action taken.	Agency corrective actions have been redacted by OLA.		

Exhibit 1 to April 17, 2025 Letter to Joint Chairmen

Aid to Community Colleges

Finding 5

MHEC had not implemented effective procedures for ensuring that all payments made to community colleges for retirement and pension contributions were proper.

Recommendation 5a

We recommend that MHEC ensure that the amounts paid for the State's share of community college employees' retirement and pension costs are proper. Specifically, we recommend that MHEC enhance its procedures to thoroughly review audited retirement and pension contribution data received from community colleges and resolve, on a timely basis, differences between the audited data and corresponding amounts in its own records, including the aforementioned differences (repeat).

Status of Recommendation 5a			
Status as of 11/1/2024	Select Status – In progress	Completion Date:	12/1/2024
Please provide details of corrective action taken.	<p>Completed: We recognize the necessity of keeping accurate records of certification dates for these employees to ensure proper reimbursement verification and compliance with regulations. We have gathered all certification information and copies, and we are currently verifying the certification status for employees listed in reimbursement requests.</p> <p>Ongoing: To address concerns about payments for the State's share of retirement and pension costs for community college employees, we acknowledge the need for enhanced review procedures. We have begun verifying certifications for each reimbursement request. If any discrepancies arise, we promptly contact the colleges to resolve the issues. Payments are held until these issues are resolved to prevent reimbursements from being processed without proper certification. We have implemented a systematic review of all reimbursement requests.</p>		

Recommendation 5b

We recommend that MHEC ensure that the amounts paid for the State's share of community college employees' retirement and pension costs are proper. Specifically, we recommend that MHEC enhance its procedures to take appropriate actions to pay or collect differences in amounts owed to or due from the colleges (repeat).

Exhibit 1 to April 17, 2025 Letter to Joint Chairmen

Status of Recommendation 5b			
Status as of 11/1/2024	Select Status – In progress	Completion Date:	12/1/2024
Please provide details of corrective action taken.	<p>We acknowledge the significance of the CC-4 reports submitted annually by community colleges, which are due on October 1st. The Office of Budget and Administration will continue to verify reported amounts against actual payments received from these colleges, with reconciliation reports sent to the DBM audit team by December each year.</p> <p>Ongoing: Details from the FY2023 reconciliation have been provided to the DBM audit team, and we are currently reconciling the FY2024 teacher retirement and optional retirement data against the reported CC-4 submissions. Once the reconciliation is complete, we will share the results with the DBM audit team. We will reach the Community colleges to resolve the findings from the reconciliation.</p>		

Recommendation 5c

We recommend that MHEC ensure that the amounts paid for the State’s share of community college employees’ retirement and pension costs are proper. Specifically, we recommend that MHEC enhance its procedures to document the actions taken (repeat).

Status of Recommendation 5c			
Status as of 11/1/2024	Select Status – In progress	Completion Date:	12/1/2024
Please provide details of corrective action taken.	<p>Completed: We understand the importance of accurate payments and collections for retirement and pension contributions. MHEC should improve its procedures to address any discrepancies in amounts owed to or from the colleges. Each year, community colleges submit their CC-4 reports to MHEC by October 1st. The Office of Budget and Administration reconciles both the reported amounts for Teacher Retirement and Optional Retirement against the actual payments received from the colleges, with the reconciliation report submitted to the DBM audit team by December each year.</p> <p>Ongoing: We have shared FY2023 reconciliation details with the DBM audit team and are in the process of reconciling the FY2024 teacher retirement and optional retirement data against the reported</p>		

Exhibit 1 to April 17, 2025 Letter to Joint Chairmen

	CC-4 submissions. Once this reconciliation is finalized, we will provide the results to the DBM audit team.
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Exhibit 1 to April 17, 2025 Letter to Joint Chairmen

Information Systems Security and Control

The Information Systems Security and Control Section, including finding 7, has been deemed to contain cybersecurity-related information and audit findings and was redacted from the publicly available report and correspondence.

Finding 7
Redacted cybersecurity-related finding.

Status of Recommendation 7			
Status as of 11/1/2024	Select Status	Completion Date:	
Please provide details of corrective action taken.	Agency corrective actions have been redacted by OLA.		

Exhibit 2 to April 17, 2025 Letter to Joint Chairmen

Status of Repeat Findings in Office of Legislative Audits' (OLA) June 24, 2021 Audit Report on the Maryland Higher Education Commission (MHEC)

Prior Recommendations Pertaining to Repeat Findings	MHEC Reported Status	Status Based on OLA Review
Career-Based Financial Aid		
1. We recommend that MHEC		
a. generate and review all reports of recipients and employers requiring initial or follow-up action on a timely basis.	Complete	Resolved
b. ensure that all required requests are sent and follow-up action is taken in a timely manner.	In Progress	Not Reviewed
Maryland College Aid Processing System (MDCAPS)¹		
3. Status Redacted		
4. Status Redacted		
Aid to Community Colleges		
5. We recommend that MHEC ensure that the amounts paid for the State's share of community college employees' retirement and pension costs are proper. Specifically, we recommend that MHEC enhance its procedures to		
a. thoroughly review audited retirement and pension contribution data received from community colleges and resolve, on a timely basis, differences between the audited data and corresponding amounts in its own records, including the aforementioned differences.	In Progress	Not Reviewed
b. take appropriate actions to pay or collect differences in amounts owed to or due from the colleges.	In Progress	Not Reviewed
c. document the actions taken.	In Progress	Not Reviewed
Information System Security and Control¹		
7. Status Redacted		

¹ Specific information related to cybersecurity-related findings (3, 4, 7) has been redacted for the publicly available report in accordance with State Government Article, Section 2-1224(i) of the Annotated Code of Maryland.