



**Department of Legislative Services
Office of Legislative Audits**

University System of Maryland

Coppin State University

Report Dated November 18, 2013



Department of Legislative Services

Office of Legislative Audits

Audit Overview

- Coppin State University (CSU) offers a range of baccalaureate programs in both traditional arts and sciences, teacher education and nursing, as well as selected professionally oriented graduate programs.
- During the spring 2012 semester, a total of 3,534 students, consisting of 3,001 undergraduate and 533 graduate students, were enrolled in CSU. Approximately 89% of the enrollment was classified as in-state.
- CSU's budget is funded by unrestricted revenues, such as tuition and a State general fund appropriation, and restricted revenues, such as federal grants. During fiscal 2012, CSU's revenues totaled approximately \$104.0 million, including a State general fund appropriation of approximately \$37.9 million.
- The report included 12 findings, 6 of which were repeated from the preceding audit report and appear as 5 findings (**Findings 1, 2, 3, 9, and 10**).



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Key Audit Issues

- Our audit disclosed a number of internal control deficiencies related to CSU's student accounts receivable procedures as well as the failure to take appropriate and timely actions to collect outstanding student accounts.
- CSU's contract monitoring procedures were not comprehensive to ensure vendors complied with contract requirements.
- Finally, a number of internal control and record keeping deficiencies were noted in other areas including student financial aid, cash receipts, information systems, and equipment inventory.



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Student Accounts Receivable

CSU did not always take appropriate and timely action to collect outstanding student account balances (A/R), and did not have procedures in place required by the University System of Maryland (USM) policies to prevent students with unpaid balances from registering for classes (**Finding 1 – repeat**).

- As of March 2012, student A/R totaled \$3.0 million and \$2.3 million was outstanding > 120 days.
- Our test of 10 delinquent student accounts from March 2012 totaling \$137,000 disclosed:
 - 7 accounts totaling \$66,000 had not been transferred to the Central Collection Unit (CCU) for collection within required timeframes with delays of 6 to 31 months.
 - 9 students were permitted to register for classes, even though they had outstanding student account balances from one or more prior semesters, in violation of CSU policy.
- 500 students registered for the spring 2012 semester had outstanding balances totaling \$1.1 million from previous semesters.



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Student Accounts Receivable (Cont.)

CSU lacked controls to ensure the propriety of non-cash credit adjustments, student refunds, and tuition waivers recorded in the student accounts receivable system **(Finding 2 – repeat)**.

- Five employees had capabilities to record adjustments to student accounts (such as non-cash credits for tuition waivers), process refunds, and had access to cash receipts. During fiscal 2012, CSU processed approximately \$9.8 million in student refunds.
- output reports of non-cash credits to student A/R, that were used to identify transactions for supervisory review, did not include all such credit adjustments. Reports did identify \$2.8 million in non-cash credits from July 1, 2009 to March 26, 2012.
- One employee was solely responsible for determining certain student tuition waivers (e.g., CSU employees and their spouses and dependents). From July 1, 2011 to June 13, 2012, CSU granted \$528,000 in tuition waivers.



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Student Accounts Receivable (Cont.)

CSU lacked controls to ensure the propriety of third-party billings (such as to private organizations awarding scholarships) and of receipts related to student accounts totaling approximately \$1.2 million during fiscal 2012 (**Finding 3 – repeat**).

- One employee maintained the detail records, prepared third party billings, had access to related payments, and could record payments to student accounts. The recordation of the payments was not reviewed for propriety by an independent employee.
- CSU did not maintain an independent control account from the original billings and receipts. Instead, CSU used a summary report generated from the third-party billing detail records as the control account. Consequently, third party tuition payments could be misappropriated without detection.



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Contract Monitoring

- CSU modified its contract to decrease calendar 2012 commission payments by \$100,000 due from its food service vendor without validating certain vendor assertions of financial losses. Under the contract, commissions were based on revenues, not the vendor's profit or loss. Also, CSU did not require the vendor to make certain capital improvements (e.g., dining area improvements) as stated in the contract **(Finding 6)**.
- CSU did not verify sales reports used to calculate monthly commission payments payable by the operator of its bookstore. The contract requires the vendor to pay commissions to CSU totaling 9.5% of annual gross sales up to \$2.0 million and 11.0% of gross sales over \$2.0 million. The vendor reported sales during calendar 2011 totaling \$1.9 million, and paid commissions totaling approximately \$181,000 **(Finding 7)**.



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Lack of Various Controls

Adequate internal controls were lacking over:

- Wire transfers of federal student loans (**Finding 4**) and financial aid awards posted to student accounts totaling \$30.2 million during fiscal 2012 (**Finding 5**).
- Equipment inventory, which totaled approximately \$16.2 million as of December 31, 2011. For example, CSU did not maintain a control account or always record purchases in the records (**Finding 8**).
- Collections received at the Bursar's Office. For example, deposit verifications for collections received in the mail were not performed (**Finding 9 – repeat**).
- The recordation of student account and purchasing transactions, with certain system users having unnecessary or inappropriate capabilities (**Finding 10 – repeat**) and certain critical information technology application's accounts, database monitoring, and passwords (**Finding 11**).
- Salary payments to an individual using methods that circumvented processes designed to enforce the earnings limitations for retirees established by State law (**Finding 12**).



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Conclusions

CSU needs to

- ensure compliance with CCU and USM policies on delinquent student accounts;
- ensure reports of non-cash credit adjustments posted to student accounts are complete and subject to independent review;
- separate employee duties to ensure only proper student refunds are issued;
- ensure that contract modifications are adequately supported and justified;
- implement procedures to ensure compliance with all contractual terms; and
- take the recommended actions to improve controls and recordkeeping systems.